S&MM
SALES & MARKETING MANAGEMENT

DECEMBER 10, 1979
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EIGHT DOLLARS

SPECIAL REPORT

The Marketer's Complete Guide To The 1980s

· How to sell · Where to sell
· Who to sell · When to sell

For marketers, the new decade will be one of the most challenging, and it could be one of the most prosperous (albeit after a slow start). That's why S&MM devotes the feature section of this issue to a Special Report on changes that spell opportunity in the 1980s.

Inside Out

Promotional takeoff. The latest phase of deregulation could mean that airlines will (1) drop their one-commission-fits-all policy for travel agents and (2) jump into cooperative advertising. Pages 10 and 69.

Industrial distribution. Globe Albany Belting sets out to cut the number of its distributors from 550 to 120. Object: profits. Page 10.

Buxton gets with it. The leather-goods marketer expands its marketing department to make the most of the information from its sales force. Page 13.

Viceroy's class. Brown & Williamson introduces a sweepstakes designed to popularize the cigarette's "rich taste." Page 19.

French? Cheap? Somerset Wine Co. launches a line named for wine expert Alexis Lichine. Target: the $4-a-bottle crowd. Page 21.

Latino market. The number of Latino families in the middle- and upper-income brackets has more than doubled. Page 63.

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S&MM's ANNUAL AWARDS

Companies will be honored for outstanding sales and marketing achievements in our next issue and at a luncheon on Jan. 17. Special guest: media maverick Ted Turner. Page 23.

What's coming up

S&MM's Awards Issue. Companies to receive S&MM's Grand, Distinguished, and Excellence awards for outstanding sales or marketing achievements in 1979 will be profiled in our Fifth Annual Awards Issue. Also to be cited then: sports and communications personality Ted Turner, recipient of S&MM's Special Citation for aggressive marketing. And the 100 winners of S&MM's popular Business Executives' Dining Awards competition. Jan 14.

Selling by celebrities. You see them in ads, but some of the best work by sports personalities and others is being done at sales meetings. Some even go on customer calls. Feb. 4.

Audiovisuals. AV selling aids continue to grow in importance in such areas as training, meetings, and sales presentations. Here's a guide to the latest hardware on the market and how best to use it. Feb. 4.

Test marketing. A list of the favorite test markets used by major consumer-goods companies—and why. Also, case histories demonstrating how testing is carried out. Mar. 17.

Address all manuscripts and correspondence relating to editorial matters to The Editor, Sales & Marketing Management, 633 Third Ave., New York, N.Y. 10017.

Because S&MM is almost totally staff written, only a very small number of contributed articles can be accepted for publication. For that reason, contributors are urged to submit an initial query along with an outline.

All unsolicited manuscripts must be accompanied by a return envelope with sufficient first-class postage. We regret that those arriving without such postage cannot be returned.

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SALES COMMUNICATIONS

The Darome Connection

Each boost in travel costs makes Susan Pereyra's job easier. Pereyra directs the Darome Connection, a service that lets companies get together with their far-flung employees via a single telephone call. Sales have increased significantly since June 1978 when Roche Laboratories was the first to use the Connection to allow 800 salespeople scattered at six regional sites to "attend" the same "meeting."

Executives at Darome, Inc., a Harvard, Ill., sound-systems manufacturer, insist that their idea is an improvement over AT&T's conference call service that requires that all parties be connected beforehand. With Darome, companies reserve a regular time slot, but individuals can patch in at any time by dialling direct. Also, "a regular call can get unwieldy even with six or seven persons," Pereyra says. "We can accommodate up to 60 speakers because the system is voice-activated. Only one person can speak at a time." The claimed advantages

Keeping callers in line: Darome's director Susan Pereyra.

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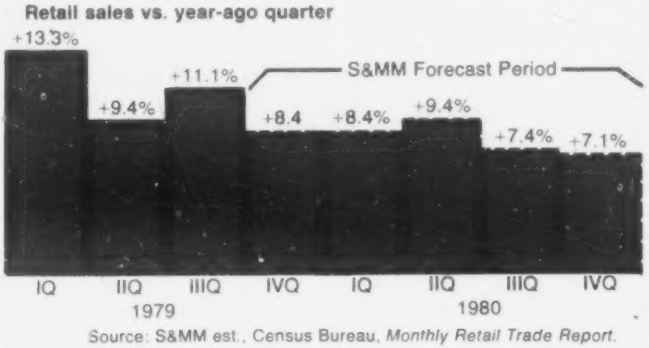
S&MM BAROMETER

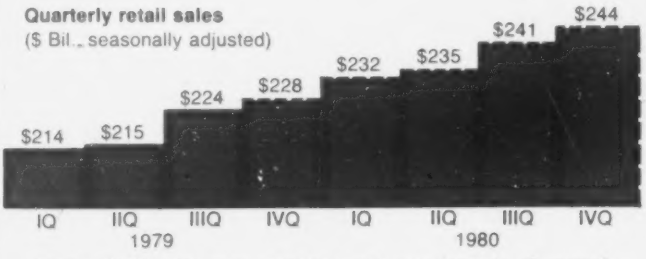
A disappointing curtain raiser for a strong act to come

Retail sales vs. year-ago quarter



Source: S&MM est., Census Bureau, *Monthly Retail Trade Report.*

Quarterly retail sales
($ Bil., seasonally adjusted)



Source: S&MM retail sales estimates based upon forecasts of personal-consumption expenditures done by Chase Econometrics, Data Resources, Evans Economics, Merrill Lynch Economics, and Wharton Econometric Forecasting Associates.
Sales & Marketing Management.

Marketers who are hoping for steady growth in the economy (it's in the cards for the 1980s; see this issue's Special Report) won't find many signs of it at retail checkout counters anytime soon. Retail outlets will show only a modest 8.1% rise, to $952 billion next year, vs. the 10.3% gain that is expected this year. Moreover, that increase is actually a decline in real terms because most economists expect that the consumer price index will cling to a 10% level.

As a result, inflation will continue to seriously erode purchasing power into 1980. Because new-car sales are sensitive to personal income levels, volume will fall 14%. That will affect retail totals because, next to food, the automotive sector siphons off the biggest chunk of consumer spending. Also, housing starts will drop 18% to 1.4 million. The victims: the general merchandise, home-furnishings, and major appliances sectors.

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MARKETING IN THE 1980s

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We the people: Older, smarter, liberated, richer
The perils of prophesying

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[Predictions in this Special Report appear in alphabetical order]

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A cautious decade ahead

Each decade puts its hallmark on the marketing environment. The somnolent 1950s, the soaring 1960s, the troubled 1970s—each had its own tempo and character. The 1980s will be no different. The decade, of course, will be made up of continued trends from earlier decades and the emergence of new ones, but its character will be mostly shaped by conservatism fed by fear of inflation, energy shortages, and other crises. Call it the Cautious 1980s.

Despite the poor advance billing the 1980s have already been given, they will in fact offer marketers more than the usual number of opportunities. What it will take is shrewdness to sight those opportunities in advance, agility in changing marketing strategies accordingly, and skill in exploiting them as they come into play. Equally important, the marketer who is armed with knowledge of the individual problems to be faced in the 1980s will be in a stronger position to blunt their impact by using the correct countermeasures.

Specifically, what changes will occur in the next decade? The 1980s will see major—and varied—demographic alterations; the U.S. population is in flux, both in its migratory habits and its mix of age groups (as people move through the stages of the life cycle, their buying power changes, as well as their wants and needs). New markets will emerge as others decline or disappear completely (an example of the former is home video products, an example of the latter are many segments of today's youth market). There are major changes ahead in consumer sentiment and behavior, and important innovations in retailing.

Also, rising costs will dictate new trends in sales meetings, shows, and conventions (some are already evident). Time and territory practices will be revamped, sometimes completely, as companies try to cope with costs and energy constraints. Regardless of which candidate wins next year's presidential election, startling events will take place in Washington affecting consumerism, individual industries, product safety, and those who want to sell abroad. New assignments are in store for the computer. Another arena of sweeping changes: the media and, possibly, co-op allowances. Population changes will also affect the availability of sales personnel and the career paths of managers themselves.

Those and many other coming changes are examined in the pages that follow. Virtually every aspect of sales and marketing is covered.

Armed with advance knowledge of what is in store for them and how they can best respond to it, marketers thus will have an advantage against the future, and the best chance for ensuring consistent, strong growth in both sales and profits.

—THE EDITORS

We the people: Older, smarter, liberated, richer

By THAYER C. TAYLOR
Senior Editor/Management Sciences

Markets in the 1980s will be reshaped by the reverberations of the postwar baby boom, the same powerful creator of growth that largely determined marketing opportunities for the last 30 years. The generation that created mass markets for goods and services oriented to infants in the 1950s, teenagers in the 1960s, and young adults in the 1970s, will become the middle-aged in the 1980s and one of the most important sales targets ever.

Overall, the total population will increase by some 25 million, or 11%, between 1978 and 1990, according to the Census Bureau's baseline projection. That's slightly more new consumers than currently live in the three biggest metropolitan markets—New York, Chicago, and Los Angeles-Long Beach—and it dwarfs the 14 million increase that has occurred since the start of the 1970s. On an annual basis, growth will edge up slightly, to 0.9% in the 1978-90 period, compared with 0.8% between 1970 and 1978.

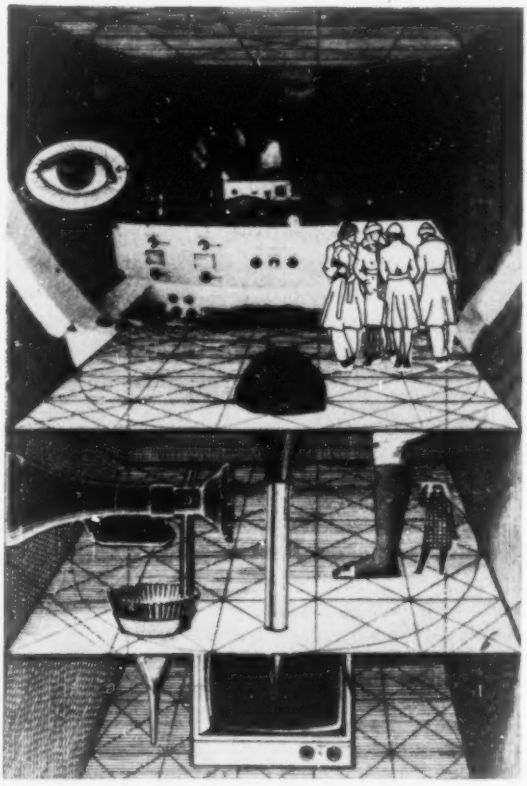
Of significance to marketers scanning the horizon for growth markets will be the dramatic shifts among the age groups. Those are the critical planning inputs to marketers because as people move through the age cycle their buying power, wants, and needs change. The most significant age group changes that will dominate the 1980s are:

• **The middle-aged 35-44 year olds,** a high-income, free-spending group, which will be the fastest-growing market throughout the decade. Its numbers will expand by 5.8 million, or 50%, vs. an all-U.S. gain of 11%. The group's meteoric growth will signal the end to the youth-oriented marketing that has held center-stage throughout the postwar years. "Don't trust anyone over 30," the rebel cry of yesteryear, will be replaced by "Don't trust anyone under 40."

• **The elderly,** those 65 and older, whose ranks will swell by 5.8 million, or 24%. However, marketers should note that the two distinctive segments of that market will increase at different rates—the 75 and older up 32%, the 65-74 year olds 19%.

• **Teens and young adults,** whose numbers will dwindle dramatically, reflecting the long slide in birth rates since the late 1950s. The 14-17-year-old group will suffer a loss of around 3.9 million, or 23%, between now and 1990, the 18-24-year-olds a similar drop-off of 3.8 million, or 13%.

Other age groups will experience various twists and turns during the upcoming decade, emphasizing the need to continually monitor demographic shifts:



• The 25-34 year olds will register strong gains—5.3 million, or 16%—in the 1978-84 period, then decelerate to a 1.9 million gain, or 5%, for the balance of the decade.

• The 45-54 year olds will become a smaller market in the first half of the decade—shrinking by 0.7 million, or 3%—before expanding 2.9 million, or 13%, in the second half.

• The number of children under 14 will post a middling 0.8 million gain, or 2%, between now and 1984, then surge ahead with a 4.4 million increment, or 9%, in the decade's balance. That, of course, assumes a baby boom will develop in the mid-1980s, a forecast that doesn't have universal support.

The key household trends that will affect markets in the 1980s are:

• **A slower overall growth,** reflecting the numerical decline in the 18-24 age group, the primary years when new households are formed. Compared with an average annual increase of 2.5% since 1970, household growth in the years ahead will dip slightly

to 2.4% a year in the 1978–84 period, then slow down even more to 1.9% in the remainder of the decade. Even so, there'll be 20.7 million more households to sell to in 1990 than today.

• **Nonfamily units will grow** at a faster rate than the conventional family unit, mirroring the greater interest in alternative living arrangements. They'll expand 52%, or by 9.8 million, compared to only 19%, or 10.9 million, for the family households.

• **Within the family sector, the one-spouse home will grow** more than three times as fast as the conventional husband-wife unit—45%, or 4.3 million, vs. 14%, or 6.5 million. That will be a byproduct of the greater willingness of unhappily married couples to separate.

• **The feminist drive for greater self-fulfillment will strongly color** the future household profile. Female-headed households, including both family and nonfamily types, will increase by 4.5 million, representing a 43% growth vs. 27% for all households.

Here is a closer look at those broad trends and related demographic shifts.

The changes in households

Despite the slower overall household growth in store for marketers, the shifting age makeup of households during the 1980s will provide a strong underpinning for booming sales. The two household age groups that will chalk up the most impressive growth rates in the 1978–90 period—62% by the 35–44-year-old bracket, 36% by the 25–34 segment—rank high on the income and spending scales.

Households in the 35–44 range have a median income that's 25% over the all-household average and is second only to the 45–54-year-old group. Furthermore, 21.3% of all personal income is located in these consumer units.

Median income of the 25–34-year-old households is just about average. However, because of their sheer numbers they pull down a slightly bigger 22.3% of total personal income. Together, these two age groups account for 44% of household money income.

The importance of the changing age makeup of households to marketers is even more significant when it comes to buying goods and services. The 35–44 and 45–54 year olds are the most lavish spenders, each ladling out 27% more on goods and services than the typical domicile. Significantly, the 25–34-year-old segment, despite its average income, is the next biggest buying unit, an achievement largely due to its free use of credit.

Altered lifestyles

Changes in types of living arrangement, reflecting the emphasis on "do your own thing," will affect target markets in the 1980s. Nonfamily domiciles, which increased their proportion of all households from 19% to 25% during the 1970s, will continue to widen their share in the next decade. According to Census Bureau projections, family-type units will recede from a 75% share currently to 70% of all households in 1990.

The U.S. family

Even so, the family, representing some 68 million buying units by 1990, will remain the dominant market target.

With married couples preferring fewer children, and young adults putting off marriage to a later period, households will continue to shrink in size. Government projections see the average family size slimming from 3.3 persons in 1978 to 3.0 in 1990, the average household from 2.8 to 2.5 persons.

One-person domiciles and unmarried couples, which experienced meteoric growth in the 1970s, will increase in relative importance but at a sharply reduced pace because of unfavorable prospects of the two age groups most commonly associated with the two types. The 18–24 year olds will decline from 13.3% of the population to 10.4% between 1980 and 1990 while the 25–34 year olds will only increase their share from 16.3% to 17.0%.

Within the family sector itself, the one-spouse household will cut a wider swath, upping its share to one out of five such consumer units as against 13% at the start of the 1970s. However, its growth rate will decelerate sharply, from an annual 5.3% between 1970 and 1978 to 3.6% in the 1978–84 period and 3.4% in the 1984–90 time frame.

Women at the helm

Another nontypical household that will become a much more important market target in the next decade is the female-headed consumer unit. Its share of all households climbed from 21% in 1970 to 25.4% in 1978, and, according to Census Bureau projections, will continue to escalate to 28.5% by 1990. And there's a good chance the ratio may pass 30% if women continue to put off marriage to a later year or if divorce rates, which levelled off recently, begin to rise again.

Inasmuch as a large number of female householders will be combining jobs and parenting, they'll be an especially attractive market. A report by Management Horizons, Columbus, Ohio, a leading con-

sultant in the retailing field, notes that retailers will have to extend store hours, as well as experiment with home delivery of bulky merchandise, to capture this market.

Household incomes

Helped along by the rapid growth of the 35–44 year olds who are nearing their career and income peaks, household income levels will move up handsomely in the 1980s. "The aging of the baby boom generation," a report by Data Resources (DRI), Lexington, Mass., a leading econometrics consultant firm, notes, "will mean fewer youths with their lower earnings and more adult consumers in the high earning age groups."

According to the Bureau of Labor Statistics, real disposable income (1972$), which is roughly equivalent to the *Survey of Buying Power*'s Effective Buying Income indicator, will rise 4.1% per year in the first half of the upcoming decade, 3.7% in the last half. That means that per capita real disposable personal income, which was $4,300 in 1977, will increase to $5,500 in 1985 and $6,300 in 1990.

An equally bright projection is made by the Joint Economic Committee, which sees median household income leaping from $15,191 in 1978 to $32,600 in 1988 (current $). That's a 115% rise, or slightly better than 11% per year, which is significantly above the 9% annual rate of the 1970–77 period.

According to DRI's long-term projections, the number of consumer units with incomes over $25,000 (1972$) will increase from 5.3% of all consumer units in the late 1970s to 7.3% in the late 1980s; the $15,000–$24,999 group's share will rise from 18.0% to 21.3%, and the $10,000–$14,999 group's ratio will show little change, 21.3% to 21.8%. The ranks of the under-$10,000 unit will drop from 54.8% to 49.6%.

Obviously, the steady march of households into the upper income brackets through the 1980s will make mass markets out of many of the "class" goods and services—such as exotic travel, expensive jewelry, and high fashion apparel—formerly affordable only by the rich. Also, while the aging of the population suggests a less hospitable environment for new products, the higher household incomes should be an offsetting factor.

A baby 'boomlet'?

Marketers of infant goods who have watched tumbling birth rates with dismay since the late 1950s can look for a happy turnabout in the upcoming decade. While there is considerable disagreement as to whether a baby boom will occur, there are powerful potentials in its favor.

Theodore J. Gordon, president of The Futures Group, Glastonbury, Conn., a forecasting company specializing in long-range studies, reasons: "It seems likely that almost as many babies will be born annually in the mid-1980s as at the peak of the first baby boom in 1960 (4.3 million) for two reasons.

"First, the fertility rate will rise slightly above its 1976 low because many women who have been delaying having children will decide 'now or never.' From a low of 1.8 births per woman in 1976, the rate appears to be increasing slightly to 2.1 or so.

"Second, the number of women born in the 1950s, the height of the first boom, will be reaching childbearing ages in the 1980s. In 1960, there were 19.6 million women in the 18–34 age group; by 1985, there will be 33.9 million of them."

Of course, the big unknown is how many of those women will decide it's 'now or never.' Many observers feel that, having tasted the independence a job gives them and the self-fulfillment that a career offers, the women will opt for "never" rather than return to homemaking.

In any event, the baby boomlet will be dramatically different from its predecessor. According to the lifestyles studies program of Leo Burnett Co., the Chicago advertising agency, 63% of those in the 18–29-year-old group said they plan on 2.1 children compared with the three or four that was the norm in the 1950s.

Still, the upcoming baby crop will spell billions of dollars of sales opportunities for marketers. Management Horizons estimates that "over the first

Three population paths in the 1980s

	Total U.S. Population (000)		
	1980	*1990*	*% Growth*
Series I	**224,066**	**254,715**	**13.7%**
Series II	**222,159**	**243,513**	**9.6%**
Series III	**220,732**	**236,264**	**7.1**

In developing its population projections, the Census Bureau relies mostly on assumptions of future levels of "completed cohort fertility" (average number of lifetime births per woman). In Series I, it assumes 2.7 births per woman; Series II, 2.1; and Series III, 1.7. Sales & Marketing Management is using the Series II projections because it is closest to the findings of surveys on the number of children that women expect to have.

three years, the first-born children account for over $2,000 in retail sales. By 1990, this would account for a 40% increase over 1977, or an additional increment of retail sales—in real terms—of over $1 billion."

Minorities

Minority markets will become more attractive in the 1980s, but at the same time much more diverse. Because of their higher birth rates, blacks will increase significantly faster than the total population—17% vs. 11%. By 1990, there'll be 29.8 million blacks, as against 25.6 million in 1978, and they'll comprise 12.6% of the total population.

As a market, blacks will become sharply segmented. There is, on the one hand, a relatively small, but consistently growing, group that is upwardly mobile, forging successful careers, moving into the higher-income classes, and leaving the central cities for the suburbs. On the other hand, there is still a large mass of those experiencing difficulty in building careers and breaking out from a low-income status.

Another major demographic change will be the growth in the Hispanic population until it rivals the size of the black population (of importance here will be expected agreements with the Mexican government to admit legally more Mexicans into the U.S.). As a result, the number of Spanish-language radio and TV stations, newspapers, and magazines will continue to grow and give marketers more opportunities to reach Hispanics. Already, the Spanish International Network, a leading Spanish-language TV programmer, reports that its nine-month ad revenues are up 60% over last year's.

The college educated

One of marketers' favorite sales targets, the college educated, will approach mass-market status in the 1980s. Marketers cotton to these consumers for a variety of reasons, such as their above-average discretionary income and yen for new products, but their appeal in the past was blunted by their limited numbers. This picture changed dramatically in the 1970s and will continue to do so in the 1980s.

Between 1970 and 1978, for example, the share of those 25 years old and older with some exposure to college shot up from 21.2% to 29.8%. Even more important, the share among the 25–34 age group, which will move into the key 35–44-year-old segment in the 1980s, rocketed upwards from 29.8% to 44.8%, a phenomenal 15-point increase. Also, greater numbers of high school graduates will enter college.

What about inflation?

Its pressures will almost certainly mean many more multi-earner households. "A second income is almost essential if a family hopes to buy a home and some of the discretionary extras," says Peter B. Pekar Jr., director of business development, Quaker Oats Co., Chicago. "The latest findings of the Harris perspective service program show that the majority of people believe health insurance, telephone, car, life insurance, savings account, house, and yearly vacations are necessities. You can't satisfy those desires with a one-wage-earner household."

All market planning starts with population, and the demographic trends suggest that planning, with only a few exceptions, should be geared to the expectation of a steady growth in numbers throughout the next decade.

How life-cycle groups will change

Life Cycle		% Of Total Population 1970	1980	1990
0–5	Preschoolers	10.2%	8.6%	9.2%
6–12	Preteens	14.0	10.6	10.3
13–17	Adolescents	9.8	8.7	6.6
18–24	Young adults	12.1	13.3	10.4
25–34	Peak family formation	12.3	16.3	17.0
35–44	Family maturation	11.3	11.6	15.1
45–54	Peak earning power	11.4	10.2	10.5
55–64	Childless parents	9.1	9.5	8.6
65+	Retirement	9.8	11.2	12.3

Source: Merrill Lynch Economics, Inc.

Four household paths in the 1980s

	Total U.S. Households (000) 1980	1990	% Gain
Series A	80,135	98,950	23.5%
Series B	79,870	96,653	21.0
Series C	79,704	96,792	21.4
Series D	79,349	92,394	16.4
Average of B&C	79,787	96,723	21.2

Four sets of household projections are developed by the Census Bureau. All four are based on the bureau's Series II population projections, but each is developed from different assumptions about the marital status of specific age/sex groups. After consulting with the Census Bureau, Sales & Marketing Management bases its household projections on an average of Series B and C.

MARKETING IN THE 1980s

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ADVERTISING

In industrial advertising, accountability is to be the byword in the 1980s. As top management gets mean about measuring advertisements' effectiveness, marketers will set specific objectives for their ad campaigns and attempt to find ways to measure that success—all before embarking on the campaigns. (A favorite method: position ads in media that provide *quality* responses instead of those that merely generate volume.) Meanwhile, in-house agencies will continue to replace outside ones, as they have done at GE and U.S. Gypsum. The technical nature of many industrial ads makes it easier and often less costly to companies to hire their own artists and copywriters than to try to communicate their needs to outside agency personnel.

• • •

One of the most significant demographic changes in the next decade will be the increase in the number of working women. The change will have a tremendous impact on advertising because advertisers will be trying to reach women who:

- Are no longer home in the daytime, and therefore don't watch daytime TV;
- Are more knowledgeable because of their exposure to consumerism;
- Have more money to spend, but less time in which to spend it. Advertisers will therefore have to reconsider both their media choices and the kinds of messages they send. However, because all consumers will be more sophisticated and more skeptical of advertising claims, the changes made will not be "for women only."

• • •

In keeping with the trend toward segmentation of target audiences, newspapers will offer a proliferation of special sections and inserts aimed at readers with specific interests in such things as sports, fashion, and travel. Computerized circulation will make it possible to vary the editorial and advertising content of the daily paper from household to household. Despite the proliferation of electronic information in the home, newspapers will retain their status as a tangible record, especially of local events. Enterprising publishers may even reposition their papers as "printouts" that, in addition to news, present features designed to be used with the electronic media. Example: worksheets for home-study courses broadcast on TV.

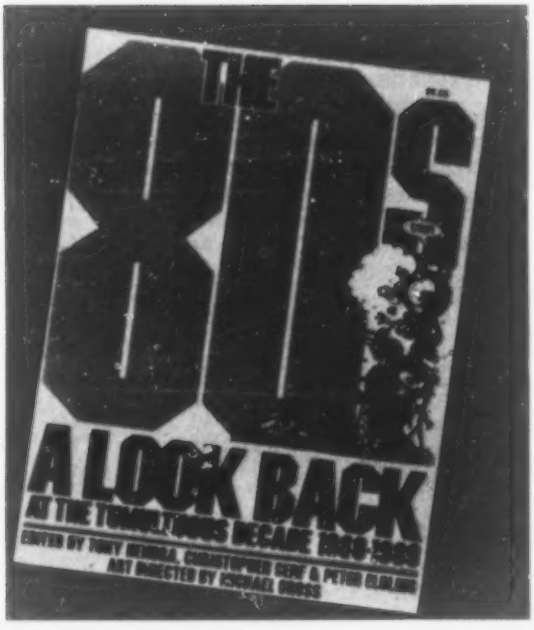
ANTITRUST

The Federal Trade Commission will weather current congressional attempts to impose a veto on rules lawmakers don't like. The same goes for moves to trim the FTC's appropriations until it promises to suspend several proposed rules. Actually, FTC leaders will approach the future more cautiously—especially avoiding launching massive lawsuits such as its marathon antimonopoly actions against oilmen, automakers, and breakfast-cereal marketers. Instead, in the 1980s the commission will stick mainly to its former role of policing fraud, price-fixing, and price discrimination.

NOTE

Want to learn more about a specific subject area? In many instances throughout this Special Report, additional aspects of a subject are found under a separate overline, sometimes several separate overlines. Example: In addition to the information about advertising trends in the 1980s that appears on this page, readers will find more of interest in other overlines such as Broadcast Advertising, Buying by Video, Catalogue Selling, Co-op Advertising, Outdoor Advertising, and Print Advertising. For this reason, we urge you to read this Special Report in its entirety.

Also, limitations of space makes it necessary for us to omit some subject areas entirely. We will remedy this in regular issues of S&MM in the coming year when we will continue our examination of the next decade. If you have a specific subject area in mind that does not appear in these pages, please tell us about it.



> **In the 1980s, more than ever, decisions affecting the marketing of a consumer product will have to be right the first time. There will be little time to adjust strategies in the field.**
>
> Edward J. Spar
> President
> Market Statistics

BRAND MARKETING

A brand-new market for many brand-name marketers: so-called low-end retailers, such as J.C. Penney. The carrot is the incredible size of this retail segment; the stick is new government regulations and legislation forcing brand-name marketers to sell to one and all. As this occurs, department stores will experiment with private labels, to make what they sell at least seem to be distinctive.

BROADCAST ADVERTISING

Because working women watch less TV than housewives, marketers will have to determine which products directed at female consumers should be advertised on daytime TV and which should be on, say, drive-time radio. Good candidates for broadcast ads: cosmetics and personal products, which working women use much more heavily than housewives.

BUYING BY VIDEO

Enter the electronic catalogue. One example is Warner Communications' Qube system (S&MM, June 1978), operated since 1977 by the Warner Cable Div. in Columbus, Ohio. It allows customers to participate in "instant" surveys and request information on products merely by touching a button on the set. Although Qube has just expanded into Houston, difficulty in getting franchises and the system's high cost will keep the idea "dormant" until late in the decade. Salt Lake City's KSL-TV (S&MM, Sept. 17) is experimenting with newspaper-format TV programming, which will be complete with articles and advertising such as classified and supermarket specials. There's even talk of putting catalogues on videocassettes. Once the Federal Communications Commission gives the go-ahead to these and other experiments, in-home shopping will advance to the point where a customer who's received a catalogue or mailer will press a few buttons on the telephone and get programming on the TV screen that will supplement the information in the catalogue.

CALL REPORTS

Call reports are a vastly underutilized tool for developing market information, primarily because of the salesperson's reluctance to take the time to complete them. Special "mark-sense" cards that require only a pencil check in the appropriate boxes and which can later be "read" by optical character-recognition equipment will become widely used for developing daily information on price changes, shelf facings, competitive moves, and the like. They can

also be used to quickly generate facts on the effects of special advertising or promotion campaigns.

CATALOGUE SELLING

Soon to be with us: "personal" mail-order catalogues. They'll help ensure higher sales per catalogue issue and cut mounting production and postage costs because they will be targeted to the addressee's own demographics and psychographics, ending the two major faults of today's "shotgun" approach. Mail-order houses will use computers to scan the addressee's history of credit card purchases, revealing if he or she is currently a heavy purchaser of, say, jewelry, recreational gear, or furniture, and in what price range, even styles preferred. The catalogue mailed out, including its covers, concentrates on those tastes. Another innovation: listing only the telephone number of the store or warehouse closest to the addressee's home to speed delivery.

Among the most significant changes in marketing research will be its application to major national issues that impact marketing. Examples: the effects of government regulation on business and the consumer, increased marketing productivity in an inflationary economy, and the need to compete more effectively in global markets.

Alden G. Clayton
Managing director
Marketing Science Institute

COLD CALLING

Since the energy crunch, some companies have eliminated cold calling, but it is too valuable a selling method for most managers and salespeople, who still will cherish it for the extra sales it promises. Thus salespeople will continue to cold call but under new rules designated to hold down travel costs and conserve gasoline in any shortages to come. Some of the rules: devoting entire days just to cold calls will be taboo; salespeople will do better preresearch to separate "wheat from chaff"; management will provide only carefully screened leads. Also, managers will play a bigger role in deciding who should get the call and when—salespeople's old freedom here is about to end.

COMPUTERS

Courses in computer programming will become part of the routine training of sales managers. Although programmers and program analysts will be on hand to help sales executives manipulate and analyze data, a basic knowledge of programming will help the field manager get quick readouts on the productivity and profitability of his field territories—and communicate more effectively with the home office.

◆ ◆ ◆

Lightweight, portable terminals will become as common with field sales personnel as the traditional display case. The terminals will be programmable so that the salesperson can execute statistical exercises for answers to buyer inquiries and demonstrate, within the parameters set forth by the buyer, the product's cost-effectiveness and other benefits. When linked to a computer via telephone lines, the salesperson will also use the terminal to give the buyer current information on the status of prior orders, probable delivery dates, and so on.

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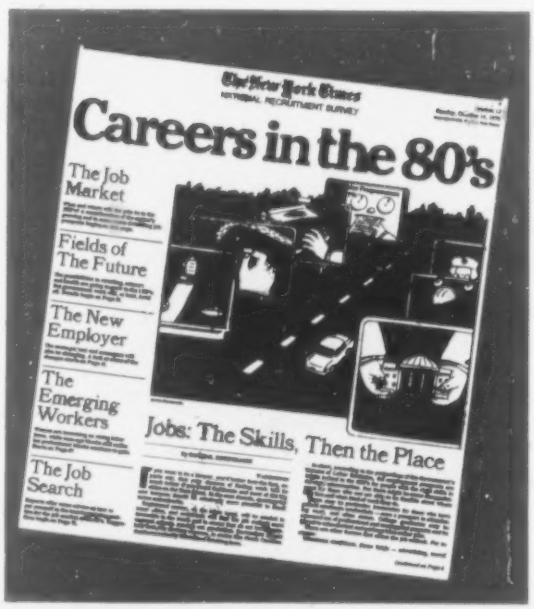
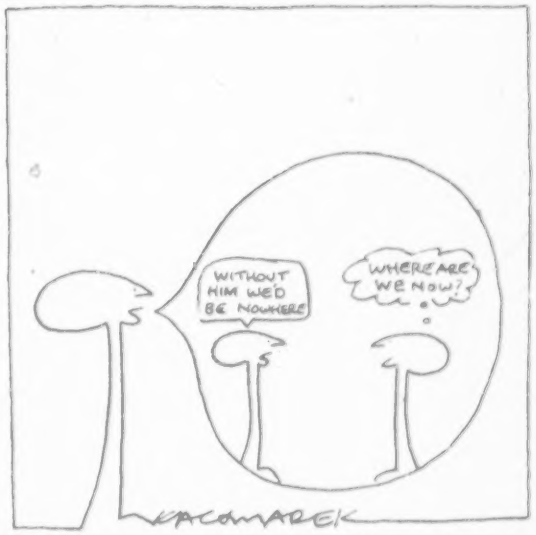
Contrary to the popular impression, the energy crisis won't drive corporations back to the central city. In-



stead, home terminals that give the user direct access to a company's information infrastructure will be used by managers to do part of their planning activities at home. Example: Much analytical work and budget preparation can be done at home because the terminal will enable the manager to pull the needed information from remote data banks.

• • •

Greater use of computer-based programs that can be used away from the office will be made to counter escalating costs of sales training and management development. Computer-assisted instruction programs that can be used on home terminals will enable a user to take a course at his own pace and test himself on his progress. Similar programs will be offered by vendors in training courses for distributor sales personnel. To eliminate the time and costs of assembling reps from several distributors at a central location, a vendor will either offer or sell programs to distributors for use on their own premises.



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CONSUMER SENTIMENT

Expect the better-educated consumers of the next decade to be less responsive to such claims as "new, improved" or "better than ever" and to look for documented proof of product performance. Furthermore, more-demanding consumers will be willing to pay for long-term quality and will have less interest in short-term bargains. The marketer who provides quality, durability, and practicality, and advertises those features intelligently, should come out well ahead of his competition. *Intelligently* is the key word, however. Consumers are losing patience with the ads—especially on TV—that talk down to them.

• • •

The inflationary economy will force consumers to cut back in many purchasing areas, and, as this happens, the home will become the favorite object of expenditures, especially furniture and appliances. Notes Robert W. Darvin, president, Scandinavian Design, a 12-store home-furnishings retail chain based in Natick, Mass., "Inflation is pricing other American status symbols out of the market—but not the home. Also, retailers will focus on increasingly smaller population areas. Neighborhoods or regions with 25,000 to 100,000 people represent big home-furnishing sales." Another prediction Darvin makes: Stores will concentrate on increasing inventory turnover as manufacturers reduce delivery time. That will allow retailers to divert expense dollars previously tied up in inventory to marketing and promotion.

CONSUMERISM

The business lobby will continue to gain ground in Washington, D.C. However, it will also find itself up against COIN (Consumers Opposed to Inflation), made up of some 60 consumer-labor organizations, and one of the most skilled antibusiness groups yet. COIN represents a resurgence of consumerism—with different tactics. Previous consumer groups sought to get regulations and laws to balance what they said were inequities; COIN wants the government to limit corporations' size and make their ownership more "open." Their special targets: marketers of food, housing, energy, and health care.

• • •

S&MM contributing editor Herb Denenberg notes, "The consumer wants some assurance that when there is a dispute over the performance or quality of goods or services, he will have a fast, efficient, and economical way to get that dispute settled. . . . At some point in the future, the consumer will get a label, instructions, and warranty along with a guarantee of how disputes with the seller can be settled when an impasse is reached."

• • •

The most hotly debated consumer issue in the 1980s will be the federal government's attempts to develop performance label rating systems for high-ticket products. Efforts by the Dept. of Energy to produce

MARKETING IN THE 1980s

POPULATION

Population growth accelerates slowly

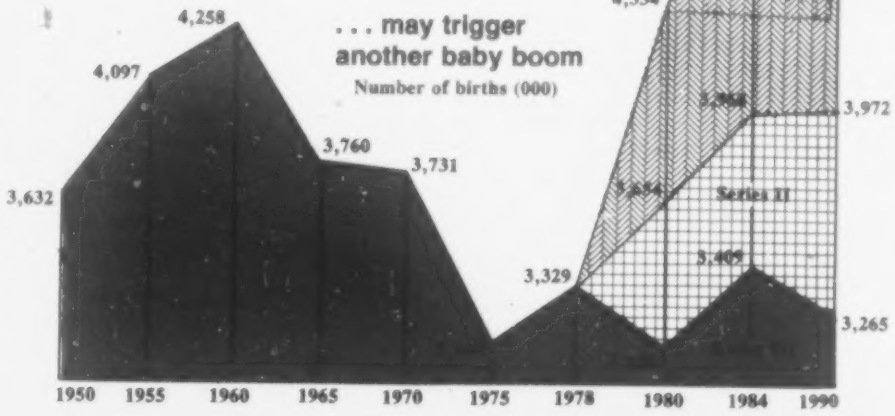
Age Group	1970 (000)	1978 (000)	1984 (000)	1990 (000)	Average Annual % Change 1970–78	1978–84	1984–90
Total	204,335	218,548	230,692	243,513	+0.8%	+0.9%	+0.9%
Under 14 yrs.	53,837	46,739	47,576	52,005	−1.6	+0.3	+1.5
14–17	15,854	16,639	14,261	12,771	+0.6	−2.3	−1.7
18–24	24,455	28,944	28,480	25,148	+2.3	−0.2	−1.9
25–34	25,146	33,936	39,203	41,086	+4.3	+2.5	+0.8
35–44	23,213	24,384	30,236	36,592	+0.6	+4.0	+3.5
45–54	23,254	23,184	22,448	25,311	−0.04	−0.5	+2.1
55–64	18,603	20,668	21,766	20,776	+1.3	+0.8	−0.7
65–74	12,443	14,935	16,278	17,804	+2.5	+1.5	+1.5
75 & older	7,530	9,120	10,444	12,021	+2.6	+2.4	+2.5

Note: Census Bureau prepares three sets of projections. Series I assumes an average 2.7 lifetime births per woman; Series II, 2.1; and Series III, 1.7. Series II projections are shown here because they reflect the most recent trends and conform most consistently with survey data on birth expectations of young married women.

Sources: Census Bureau, *Projections of the Population of the U.S.: 1977 to 2050*, Series P-25, No. 704 for 1984 and 1990 estimates; *Estimates of the Population of the U.S., by Age, Sex, and Race*: 1976 to 1978, Series P-20, No. 800, for 1970 and 1978 data.

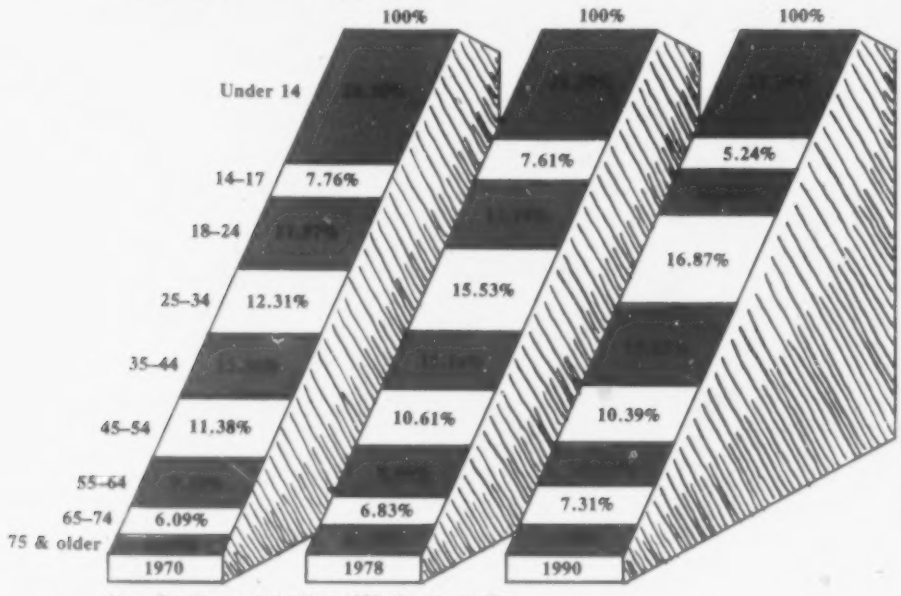
A significant increase in potential mothers . . .

Note: Census Bureau prepares three sets of projections. Series I assumes an average 2.7 lifetime births per woman; Series II, 2.1; and Series III, 1.7. Series I rate prevailed in the late 1960s, Series II rate in the early 1970s, and Series III rate in recent years.



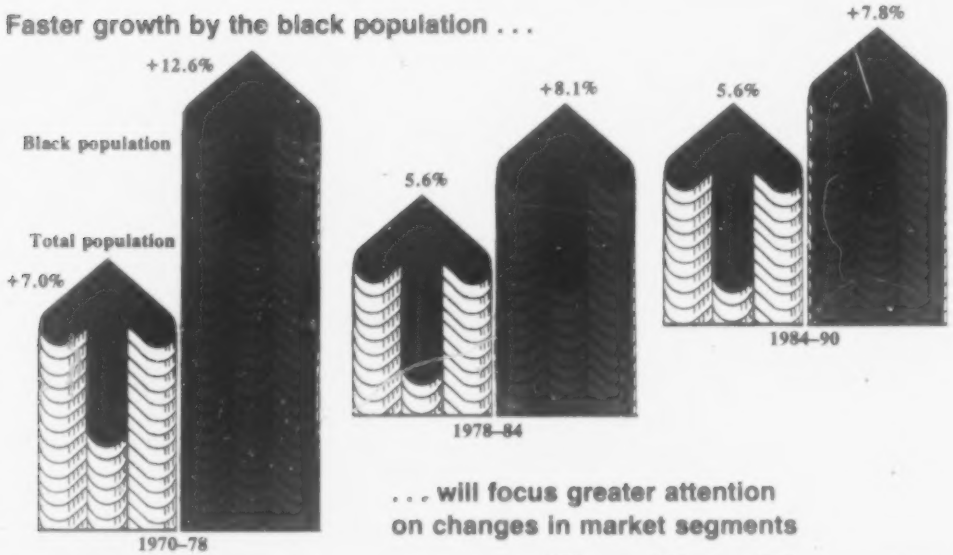
Middle-aged groups come into their own

% of total population by age groups



Note: Details may not add to 100% due to rounding.

Faster growth by the black population . . .



. . . will focus greater attention on changes in market segments

Age Group	1978 (000)	1984 (000)	1990 (000)	Average Annual % Change 1970–78	1978–84	1984–90
Total	25,564	27,634	29,799	+1.5%	+1.3%	+1.3%
Under 14 yrs.	7,019	7,033	7,349	−0.7	+0.03	+0.7
14–17	2,369	2,158	2,056	+1.7	−1.4	−0.7
18–24	3,735	3,913	3,664	+4.1	+0.8	−1.0
25–34	3,724	4,718	5,271	+4.6	+4.4	+1.9
35–44	2,627	3,182	4,102	+1.1	+3.5	+4.8
45–54	2,302	2,387	2,678	+1.1	+0.6	+2.0
55–64	1,798	2,002	2,072	+1.4	+1.8	+0.5
65–74	1,331	1,485	1,681	+3.4	+1.9	+2.2
75 & older	659	756	926	+3.9	+2.4	+3.7

appliance energy-efficiency ratings and the Dept. of Transportation to rate tires by quality will run into a buzzsaw of criticism from regulated companies and consumers alike. Charges of "impractical" and "unworkable" will force other government agencies to rethink and retract several similar programs for other products. Consumers will be slower to accept product regulation programs to enhance safety. As inflation erodes more of disposable income, for example, look for vigilante groups of consumers to rise up against the Transportation Dept.'s $170-per-car mandatory air-bag program. Similarly, consumers will be split over the desirability of the Food and Drug Administration's program to require lay-language "patient package inserts" for most prescription-drug containers. Manufacturers and pharmacists say the leaflets will cost over $200 million a year and raise prescription prices an average of 15¢ each.

CO-OP ADVERTISING

The total amount of money spent on co-op advertising will increase, partly because airlines and other industries will use the medium for the first time. Also, suppliers will step up their efforts to ensure that their co-op money is spent more effectively. Two probable moves:

- Suppliers will use more specific reporting systems to verify that large retailers use their co-op money for actual advertising in measured media.
- To broaden the scope of co-op advertising, suppliers will try to increase participation by small retailers and even place ads for them.

During the coming decade less-traditional values will continue to grow in acceptance, largely because of the exposure—and approval—mass media gives them. Such fundamental institutions as the church, family, business, government, and schools have changed, even broken down in some cases. If some of these institutions rally, however, some people may go back to older values.

Donald LeSieur
Senior vice president, marketing
Block Drug Corp.

Rather than reducing the number of meetings in the 1980s, planners will deal with rising costs by shortening the average number of days per meeting and scheduling more program hours per day to compensate. Workshops will grow at the expense of stand-up speakers, and there'll be greater use of meeting specialists to achieve more productivity.

Homer Smith
Training director
National Society of Sales Training Executives

COUPONS

Working wives will face increased time pressure and reduced-money pressure. Even though coupons will probably continue to be the most popular promotion tool, they will have to have a high enough value to make it worth the time to clip them, save them, and shuffle through them when making the shopping list. In addition, the use of coupons will mean continuing misredemption headaches for marketers, headaches that get even bigger as coupon values increase. One misredemption-control technique now used by Borden and Colgate-Palmolive, among others, is a two-part coupon that requires the consumer to affix an in-ad stamp that gives the coupon its value. Another possibility being tested is marking coupons with a brand's UPC code and using supermarket scanners to correlate coupon redemptions with purchases.

CUSTOMER SERVICE

Some of the more glamorous advances in customer service are already beginning to go on-line, especially EDI—electronic data interchange—including computer-to-computer order processing, and integration of home video and computer terminals into retail transactions. But those are essentially paperless and electronic ways of conducting business as it's been conducted. The *significant* advances will take a little longer because they involve fundamental changes in the way of doing business. Notes Warren Blanding, an S&MM contributing editor, "Mounting costs of field sales will force an increasing number of routine selling functions over to the customer service side where they can be performed more economically—and often more effectively—thanks to the availability of a variety of skills, and communications and transactions technologies. The unvoiced

acknowledgment of the important difference between orders and reorders is beginning to be articulated. An example: One company's in-house computer tracks customers' inventory performance, projects demand, and generates reorders accordingly; what's significant is not the technology but the transfer of the reorder function from the customer to the vendor." The most effective interactive or computer-to-computer systems are similarly predicated on similar shifts in traditional patterns: preagreed pricing to facilitate automated ordering of items is an example. Says Blanding, "These shifts are not for the purpose of empire-building on the part of Customer Service; on the contrary, they recognize the critical importance of the sales function—and the necessity of increasing its productivity commensurate with spiralling selling costs."

DEREGULATION

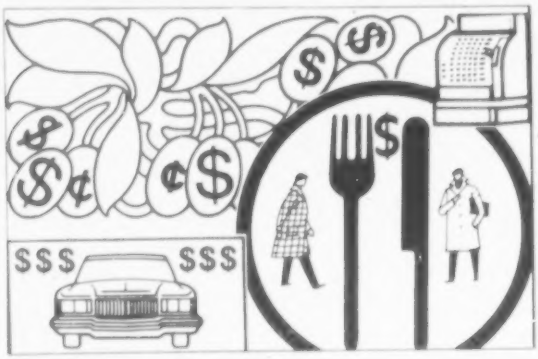
Next in line after airlines to receive the fruits of deregulation are broadcasters. Congress will unshackle radio stations first. Although they'll continue to apply for periodic license renewals, radio broadcasters will be free from Federal Communication Commission rules affecting, for example, the amount of commercials and entertainment programs as well as the concentration of station ownership. Rules will remain, however, on such politically sensitive subjects as "fairness" and "equal time." If all that works, TV broadcasters can hope for similar treatment.

DISTRIBUTION

Have you thought about selling your product to a major retail chain? Watch for the chains to move into new areas of business as they find growth rates in some of their traditional merchandise lines levelling off. The rationale is that existing channels of distribution lend themselves in some instances to selling even markedly different items. One example is the "box store," featuring dry goods products; already, K mart, Jewel, and Aldi are testing or setting up such stores.

DISTRIBUTOR RELATIONS

The tender loving care marketers lavish on their distributors—the smart ones, anyway—will be stepped up in the decade ahead. More distributors will be offered (sometimes compelled to take) sales training for their people, with emphasis on product knowl-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edge and sales techniques. Distributors will be included in more marketers' advertising programs and sales promotions and given more technical support. Also, distributor advisory councils will play a bigger role in supplier-distributor relations, and there'll be written mutual commitments to specific goals. (The Marketing Science Institute goes so far as to predict higher margins, especially for industrial distributors—but we've heard that one before.) In return, distributors will be expected to vastly step up developing their markets and building new accounts. No doubt about it, marketers in the 1980s will make distributors a far stronger partner in their selling and marketing efforts.

ETHNIC MARKETING

An important demographic change will be the growth in the Hispanic population until it rivals the size of the black population. As a result, the number of Spanish-language radio and TV stations, newspapers, and magazines will continue to grow and give marketers more opportunities to reach Hispanics. Already, the Spanish International Network, a leading Spanish-language TV programmer, reports that its nine-month ad revenues are up 60% over last year's. Also, marketers should think carefully before deciding that their products will not appeal to this ethnic group. With the exception of a few cultural preferences (Hispanics don't like peanut butter), the market offers wide opportunities. One company not intimidated by an ethnic crossover: American Home Foods, which advertises its Chef Boy-Ar-Dee Italian foods on Spanish-language TV.

FLEET CARS

Like most drivers, sales fleet users will have little choice in the face of rising gasoline prices and supply problems: most will have to cut back on driving. Thus they'll change the pattern of their calls, use the telephone and mails for routine calls, and drive the smallest, most fuel-efficient car that *meets their needs*. In the early part of the coming decade, there'll be plenty of small cars available and the sales fleets that need larger cars—for trunk room, passenger space, motivational or ego value to salespeople, and other reasons—won't be as scared of them as they are now. Expect also computer-assisted routing plans, drivers in golf-cart-sized "luxury" cars, and technological advances that open the door on, say, all-electric fleets for use in compact territories. Sound fantastic? So would have gasohol,

three-hour gasoline lines, and prices of over $1 a gallon 10 years ago.

FIRST-LINE MANAGEMENT

The selection and training of first-line sales managers (those directly responsible for the activities of field salespeople or outside agents) will finally get the priority treatment they deserve. Reasons for the change are the recognition of the field manager's key role in hiring, training, and motivating salespeople and reps, and the huge increase in the volume of data the manager deals with.

INDUSTRIAL MARKETING

Sales executives will depend on (1) better-educated salespeople and (2) on-going training programs for the salespeople and managers so that companies can cope with faster change and the use of more outside sales reps. Those factors put a premium on territory management capabilities. But training won't be a one-way street. Look for more marketers to set up programs for their new hires wherein they will work for crack distributors and other outside sales agents to improve their knowledge of the marketplace. Also, a multiplication in the delivery and servicing options offered customers—and a corresponding variety of price options—will help to control rising costs. Example: Customers will pay for the level of service they desire. The need to improve production, sharpen promotion planning, and cut

down the fast-rising costs of physical distribution will pressure management to make salespeople and reps better negotiators. Other trends: deals requiring customers to make deliveries earlier—when it's convenient for the supplier—and to share distribution costs, say, by providing the labor to unload, will become commonplace. Expect packaged-goods techniques to become common for the marketing of parts and equipment that aren't capital expenditures.

INFLATION=OPPORTUNITY

As costs increase and manufacturers cut back on the quality and size of their products (raising prices as they do so), opportunities will abound for others to supply appropriate products and services. Some areas with high potential: (1) cost-cutters in the tradition of budget motels and do-it-yourself wares; (2) preventive-maintenance items to guard all manner of things against corrosion, insects, and other natural hazards; (3) antitheft devices and services; (4) anything that conserves energy; (5) cherished possessions with value that will rise faster than the inflation rate. The ultimate product of the 1980s may be a kit for a platinum/plastic aquarium that comes with a solar-powered filter pump and its own piranha fish.

INNOVATION

The 1980s will *not* be remembered as a time of great innovation in consumer products and services. Instead the decade will generally bring modifications of what is already on the market. Why? Because (1) capital will be in such short supply that major technological breakthroughs will be difficult to achieve; (2) newcomers will find it tougher to enter existing markets because the established leaders will have

Until now, marketing organizations have tried to be as self-sufficient as possible. But in the next decade they'll have to forego some of their pride and start contracting for outside help. Markets will be much more segmented, which means that companies will be sharing more, too.

Patrick Keenan
Dairy marketing director
Beatrice Foods

One-third of the population today can be characterized as hedonistic. Watch for the proportion to increase to one-half during the 1980s even though there seems to be great dissatisfaction with contemporary social life. All in all, we're still a terribly materialistic society.

William Elliott
Vice president, marketing, spirits group
Heublein

consolidated their positions; (3) consumers generally will have less to spend on new product categories because inflation will force them to spend a higher proportion of their money on essentials; (4) except for the young, who will be less of a market influence than at any time since the Depression, consumers will tend to be less receptive to new ideas; and (5) it will be harder to get people's attention and sell them on new concepts because they will be inundated with information from every imaginable medium. All that means that people in sales, marketing, and advertising will be called upon hourly to reinvent the wheel. It may be translucent, solar-powered, or newly packaged, but it will still be a wheel. Thus the marketer's main job will be the usual one: come up with enough in the way of perceived benefits so that consumers will feel it's worth a higher price for the product or service.

MANAGEMENT SCIENCES

The computer will pervade every aspect of marketing both inside and outside the sales office. Widespread applications will be spurred, first, by the declining costs of microprocessor technology ("computer on a chip") and very-large-scale integrated circuits (VLSI); second, by the hands-on computer experience and eagerness to apply that knowledge that virtually every college graduate with a business or marketing degree, hired as a sales trainee, will have; and, third, by the wedding of computers and advanced communications systems.

MARKET STRATEGY

Information generated on the spot by electronic point-of-purchase (P-O-P) terminals in retail stores, when coupled with product codes, says the Diebold

MARKETING IN THE 1980s

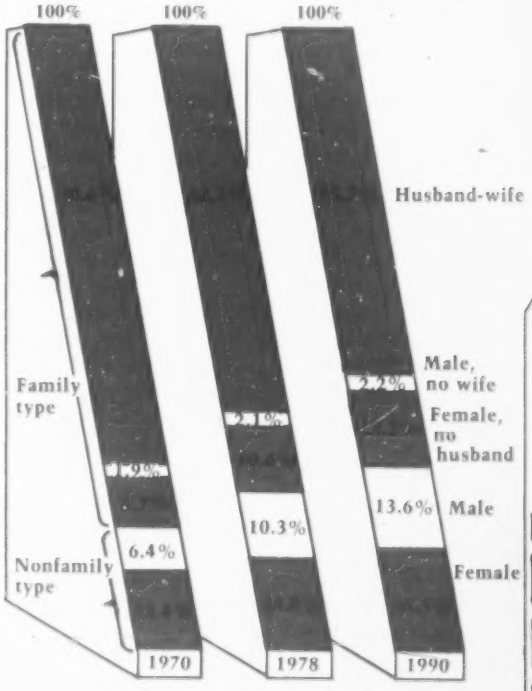
HOUSEHOLDS

Faster growth for nontraditional types

Household Type	1970 (000)	1978 (000)	1984 (000)	1990 (000)	Average Annual Growth Rate 1970–78	1978–84	1984–90
Total	63,401	76,030	86,831	96,723	+ 2.5%	+ 2.4%	+1.9%
Family type	51,456	56,958	62,717	67,834	1.3	1.7	1.4
Husband-wife	44,728	47,357	51,031	53,903	0.7	1.3	0.9
Male householder (No wife present)	1,228	1,564	1,827	2,153	3.4	2.8	3.0
Female householder	5,500	8,037	9,859	11,778	5.8	3.8	3.3
Nonfamily type	11,945	19,071	24,114	28,889	7.5	4.4	3.3
Male	4,063	7,811	10,479	13,140	11.5	5.7	4.2
Female	7,882	11,261	13,635	15,749	5.4	3.5	2.6

Note: Census Bureau prepared four different series of projections based upon different assumptions of marital status. Projected data shown here are averages of Series B and C, the two middle sets of projections.
Source: Census Bureau, *Projections of the Number of Households and Families: 1979 to 1995*. Series P-25, No. 805.

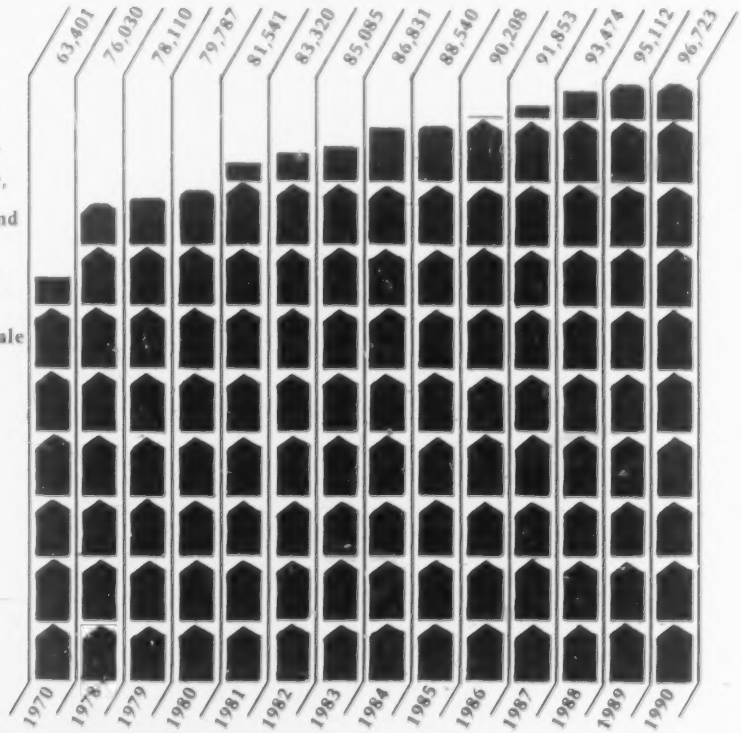
Changing mix of household types



Note: Details may not add to 100% due to rounding.

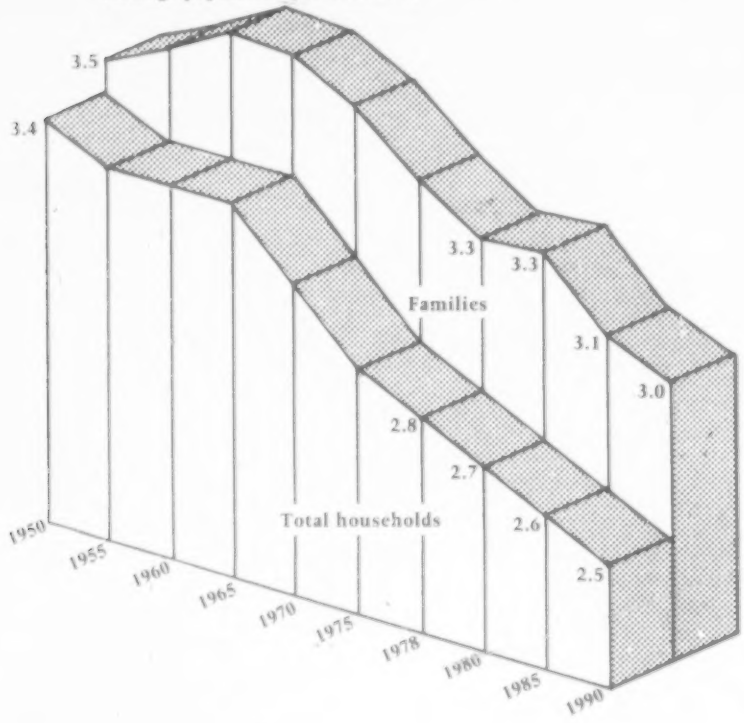
For sellers of household products, a larger target

Number of households (000)



Shrinking consumer-buying units

Average population per household



How the age makeup of major household types will change

Total Households / *Age of head*	*1978* (000)	*1984* (000)	*1990* (000)	*Average Annual % Change* 1970–78	1978–84	1984–90	*Percent Of Total* 1970	1980	1990
Under 25 yrs.	6,220	6,742	6,538	+ 5.4%	+1.4%	−0.5%	6.9%	8.2%	6.8%
25–34	16,831	20,539	22,813	+ 5.4	+3.7	+1.9	18.5	22.1	23.6
35–44	12,969	16,874	20,98o	+ 1.3	+5.0	+4.1	18.6	17.1	21.7
45–54	12,602	12,381	14,187	+ 0.3	−0.3	+2.4	19.5	16.6	14.7
55–64	12,183	12,824	12,276	+ 1.6	+0.9	−0.7	17.1	16.0	12.7
65–74	9,383	10,584	11,730	+ 2.9	+2.1	+1.8	12.0	12.3	12.1
75 & older	5,842	6,890	8,195	+ 2.9	+2.9	+3.1	7.5	7.7	8.5
Family households (Husband & wife)									
Under 25 yrs.	2,892	2,498	1,893	− 0.9%	−2.2%	−4.0%	7.0%	6.1%	3.5%
25–34	11,089	12,093	11,949	+ 2.3	+1.5	−0.2	21.0	23.4	22.2
35–44	9,396	11,591	13,639	− 0.2	+3.9	+2.9	21.4	19.8	25.3
45–54	9,128	8,695	9,627	− 0.6	−0.7	+1.7	21.4	19.3	17.9
55–64	8,071	8,428	8,044	+ 1.3	+0.7	−0.7	16.4	17.0	14.9
65–74	4,713	5,324	5,891	+ 1.8	+2.1	+1.7	9.2	10.0	10.9
75 & older	2,067	2,404	2,862	+ 3.1	+2.7	+3.1	3.7	4.4	5.3
Nonfamily households									
Under 25 yrs.	2,460	3,159	3,442	+16.8%	+4.7%	+1.5%	8.8%	12.9%	11.9%
25–34.	3,508	5,419	7,136	+24.9	+9.0	+5.2	9.8	18.4	24.7
35–44	1,469	2,217	3,123	+ 7.8	+8.4	+6.8	7.6	7.7	10.8
45–54	1,729	1,861	2,362	+ 2.4	+1.2	+4.4	12.1	9.1	8.2
55–64	2,883	3,109	3,013	+ 2.7	+1.3	−0.5	19.9	15.1	10.4
65–74	3,830	4,423	5,016	+ 4.3	+2.5	+2.2	23.9	20.1	17.4
75 & older	3,192	3,928	4,800	+ 6.1	+3.8	+3.7	18.0	16.7	16.6

Note: Details may not add to 100 due to rounding

Group, "will allow manufacturers to evaluate the market desirability of alternative product features and pricing strategies, bringing a degree of precision to marketing previously not possible." Such instant information will also permit advertising/merchandising approaches to be tailored more specifically to the needs of individual markets.

MARKETING AND THE LAW

The next decade will be characterized by a shift from "Let the buyer beware" to "Let the seller be sued," warns Janet Wolff, executive vice president and director of creative services for the William Esty advertising agency, adding that she expects many companies will indeed be sued. Already under attack is Brown & Williamson Tobacco: a smoker who fell asleep while smoking and was severely burned is claiming that the cigarette was defective because it wasn't self-extinguishing.

MARKETING PROFESSION

A boom market for marketing executives is coming. The growing complexities of social and economic changes mean companies will need new and innovative marketing solutions. Look for more marketing positions to be created with emphasis, as never before, on the truly creative marketing manager.

MARKETING RESEARCH

After a decade of absorbing technical innovations made possible by the computer, the emphasis in marketing research will shift to improving the management of the function. Rather than dwelling on methodology, researchers will become more pragmatic, performing integrated studies that can become the basis for decision-making by marketing management. These will tie together such specifics as sales force deployment, channels of distribution, advertising and promotional support, and customer service.

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Congress will make it easier for consumers and competitors to obtain government-held product information now considered "trade secrets." New laws will leave performance qualities of products privileged information but will cut loose such data as customer lists and pricing formulas.

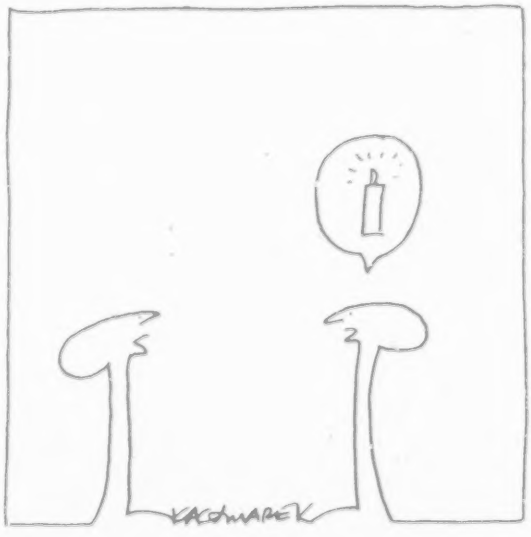
MOTIVATION

Career "pathing," job enrichment, and recognition programs will grow as sales executives seek ways to increase motivation, particularly among career salespeople. Although high technology and other fast-growing companies may experience shortages of qualified field managers, particularly in the second half of the decade when growth of the 25–34-year-old segment of the population slows, there'll be more candidates than management openings at many companies, requiring innovative management if turnover is to be kept under control.

A REMINDER

Often in this Special Report, additional aspects of a subject appear under a separate overline, sometimes several separate overlines. For this reason, we urge you to read this Special Report in its entirety.

Also, limitations of space makes it necessary for us to omit some subject areas entirely. We will remedy this in regular issues of S&MM in the coming year when we will continue our examination of the next decade. If you have a specific subject area in mind that does not appear in these pages, please tell us about it.



"THAT'S A 14TH CENTURY IDEA."

Copyright, Sales & Marketing Management

NEW PRODUCTS

Unlike consumer markets, the industrial field will demand new technology to increase productivity. Scarce capital will be allocated primarily to developing products designed to meet the needs of key customers. Similarly, the automation of the office, already underway, will come to full flower. Top management will justify greater expenditures for improved computers and other information-handling devices—all in the name of increased efficiency and profits. Product development will continue to run rampant in such areas as electronics and industrial chemicals. Although most of this will be applied to the industrial area, it will have a dramatic impact on one segment of the consumer-goods market: communications. Much of the status and importance that the consumer of the 1960s and 1970s attached to cars and boats will be transferred to such things as cable TV, videorecorders, and home computers. Even people of modest means will forego many tangible goods in favor of being wired into a network based on cable, microwave, and satellites.

OUTDOOR ADVERTISING

Women's driving patterns will change when they begin working. They'll be heading to the business district five times a week, and to the shopping center perhaps only once. Users of outdoor advertising will have to determine on which routes they should place their ads for products aimed at the female consumer.

OVERSEAS CONVENTIONS

Congress will repeal those unpopular tax restrictions on business executives who attend overseas conventions. The number of organizations cancelling meetings abroad has prompted many foreign governments to threaten retaliation aimed at international meetings in the U.S.

PAPERWORK

Thank heavens, less of it for field salespeople, who will reap the benefits of computers that log orders, call reports, and other sales data.

POINT-OF-PURCHASE DISPLAYS

Surveys show that 72% of health and beauty-aid purchase decisions and 82% of housewares buying

Corporate management will be required to focus an expanding share of attention to building revenues. The accumulation of capital from internal operations is becoming more difficult, and capital from outside sources is also harder to come by. This will increase the importance of the sales function greatly.

Mack Hanan
President
The Greenhouse Group

decisions are made in the store. Therefore, marketers of those products should give more attention to their in-store displays if they want to attract the consumer faced with an increasing array of new products.

PRICING

As more and more products mature, legions of "price brands" will move in on the attack. In all areas of consumer goods from shampoo to stereos, alert marketers will carve out a sizable business by selling merchandise of adequate quality and few frills. Often this will be done with little or no advertising support. To survive such inroads, marketers of established brands will strive to keep them from becoming commodity products. They will try to upgrade their wares and add benefits that the consumer will perceive as being worth a higher price.

PRINT ADVERTISING

Although working women watch less TV, they do more reading if they travel to and from work on public transportation. Some will read paperback novels, of course, but many will read newspapers. Thus newspaper ads could become an even more significant part of the media mix.

PRODUCT DIFFERENTIATION

Making a product or service stand out from the herd will be increasingly difficult. Three likely strategies: (1) upgrade the educational element of the product by selling (or giving away) such things as booklets on personal care with cosmetics or videocassettes on skiing with the purchase of skis and equipment;

(2) draw up a warranty that promises genuine benefits to the consumer and give it maximum promotion; (3) endow the product with personality (as with the Mickey Mouse telephone) or have it endorsed by an authoritative figure or organization (the official seat cushion of the Brotherhood of Teamsters).

PRODUCT LIABILITY

Product liability pressures will subside as most of the major industrial states adopt a model law developed by the Commerce Dept. The model statute, already adopted by Illinois and six smaller states, exempts wholesalers and retailers from sharing in a manufacturer's liability. Another factor is that insurance companies are reviewing their actuarial formulas and

> **The energy crisis will affect everything people do, even the types of clothes they wear and the types of food they eat.**
>
> C.C. Grinnell
> Director, corporate marketing research
> Kraft

finding that the steep premium jumps of recent years may have been an overreaction to a handful of sensational injury awards. However, more regulatory agencies will require that labels bear the identity of each company taking part in the manufacturing process. Example: drug companies that produce ingredients but contract out the capsulizing process. Look for stiff opposition from food manufacturers that don't want their names on certain private-label products for competitive and pricing reasons.

PRODUCT PLANNING

With most of the large tracts of the marketing landscape staked out by entrenched leaders, competitors—even large ones—will concentrate on selecting a narrow segment of the business and creating a profitable niche for themselves. They may merely embellish an existing product concept as Hanes Hosiery did with L'eggs, or they may determine their slice on the basis of price as retailers do with their private-label lines. The key to success will be in fortifying a position in a profitable segment of the market *and being recognized as specialists in that field.* All of that will happen amid creeping encroachment on the part of the federal government and consumer groups in determining product standards. As in the case of the automakers and mileage estimates, marketers will yowl in protest—and then turn around and use the official standards as a selling point.

PRODUCT SAFETY

The Food and Drug Administration will grow both in strength and public respect. Passage of a new-drug reform act will enable the agency to process new "breakthrough" drugs faster without sacrificing safety concerns. Its food industry regulation will be improved by passage of an even-handed nutrition labelling law. And cosmetics regulation, until now a never-never land, will take form with passage of a law regulating cosmetic safety and labelling. But the Consumer Product Safety Commission (CPSC) will not survive the scrutiny of White House budget planners or congressional auditors as it has for its first 10 years. Administrative reformers will find the CPSC the least cost-effective regulatory agency in Washington. If not disbanded or dismembered, the CPSC's budget will be slashed to less than half of this year's $80 million.

RECRUITING

Sales managers will spend more time recruiting and selecting salespeople because of changes in the labor pool and the need to cut costly turnover. Between now and 1990, the number of 16-24 year olds in the labor force, the age group that's the prime source of sales and management trainees, will shrink by more than 1.3 million. But (1) simultaneously with the overall drop, the number of young black adults will double, and (2) by the end of the decade, women will outnumber men. Companies will thus alter their recruiting methods to attract more women and blacks as a matter of necessity as well as to comply with equal employment opportunity laws. Meanwhile, competition among companies for qualified sales trainees of all kinds will be fierce, and the companies will do more to retain those hired.

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Sales managers who were able to pick and choose among recruits in the 1970s will be scrambling to find candidates as the pool of 16-24 year olds decreases in the next decade. Thus as companies grow bigger, competitive bidding for sales train-

The survivor of the 1980s will be the individual who gathers the most relevant information when making decisions and when judging the effectiveness of those decisions.

J.F. Peil
Vice president, marketing, U.S., nutritional and medicinal products
Miles Laboratories

ees will drive compensation upward at a faster pace; the compensation of A, B, and senior salespeople will rise at comparable rates to maintain sales-staff morale and the traditional income spreads between skill levels. All told, compensation management is going to be a very prickly proposition in the next decade. Note: The new trainees, reflecting changes in social values, will have less company loyalty. Conscious, too, of the leverage that their fewer numbers gives them, they'll be much more prone to job-hop. With sales training costs rising briskly each year, more companies will ponder how much sales training they can afford, whether it is worth it, and what changes are needed to make it cost-effective.

REGULATORY AGENCIES

All regulatory agencies will be jolted by the passage of a law that puts the burden of proof on their backs. At present, any company challenging a new federal rule must bear the burden of proving that it is invalid or runs counter to congressional intent. An amendment by Sen. Dale Bumpers (D-Ark.) makes "guilty" industries or companies "innocent" until regulators prove otherwise.

RETAILING

In the competition between retail chains downtown or flagship stores and their branches, look for the former units to get more attention and a bigger merchandising role. Mall developments are susceptible to the energy crisis, retailers believe (indeed, sales in the malls are off at the present time), and some say the number of shopping centers already exceeds the need. Macy's "Miracle on 34th St." (S&MM, January 1978) and Woodward & Lothrop in Washington, D.C., show how successful a downtown operation can be, especially when linked to a local renaissance. Another plus for downtown: the growing number of young, "quick spending" professionals expected to settle there.

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Indeed, appreciation of what marketing can do for department stores in their fight to survive inroads of mass merchandisers and discounters (few "traditional" retailers any longer try to match mass merchants' price-cutting, a tactic they know they cannot win) will prompt the stores to give up their "something for everyone" approach. Replacing it will be a narrower customer base, deeper merchandising assortments tailored to that base, and, especially, far more carefully selected vendors whose "quality image" matches the stores'.

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The branch-store manager: a person to reckon with in the 1980s. Ahead for him (or her) is greater autonomy than he has ever known to run his store as he sees fit—he'll be expected to know his store and his trading area better than anyone else in his company. Also, expect him to be far less influenced by his company's buying organization; some managers, notes *Stores* magazine, will be authorized to deal directly with suppliers' salespeople. Also, he'll be as interested in store operations and managing his people as in merchandising, his traditional forte. Increasing competition from specialty shops will prompt him to make certain that his salespeople learn more about what they sell and the best ways to sell it. Note: The Broadway, a clothing chain in the Northwest, now trains its managers in *marketing*.

SALES INCENTIVES

The use of special recognition and awards programs will grow. While merchandise, travel, and cash awards continue to find favor, incentive meeting usage will increase, and a market will open up for more personalized awards such as education for winners or their children. Good news for field man-

People are going back to basics. They're just not interested in new things so much anymore. They realize it's essential for them to try to hang on to what they have now. As an economic attitude, conservatism will rule in the 1980s.

John L. Burke
Vice president, sales
A.H. Robins Co.

MARKETING IN THE 1980s LABOR FORCE

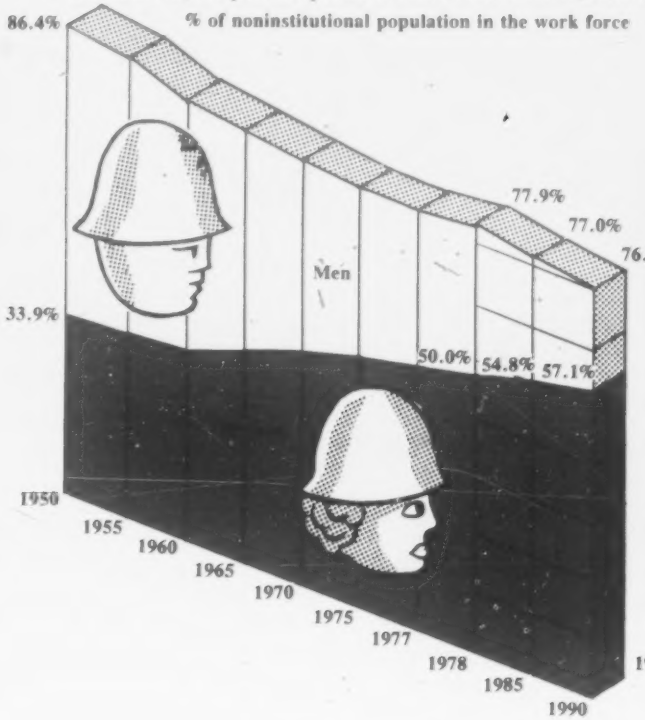
A shrinking labor pool in the 16–24 age bracket

Labor Force Age Group	*1970 (000)*	*1977 (000)*	*1985 (000)*	*1990 (000)*	*Average Annual Growth Rate 1970–77*	*1977–85*	*1985–90*
Total	82,715	97,401	112,953	119,366	+2.54%	+2.00%	+1.14%
16–24 yrs.	17,830	23,685	24,399	22,381	+4.69	+0.38	−1.66
25–54	50,389	59,390	74,256	83,558	+2.56	+3.13	+2.50
55–64	11,277	11,410	11,489	10,653	+0.17	+0.09	−1.46
65 & older	3,220	2,910	2,809	2,774	−1.37	−0.44	−0.24

Notes: Labor force, also called the work force, is the total number of people working or looking for work.
The Bureau of Labor Statistics prepared three different projections of the future growth of the work force—high growth, low growth, and intermediate growth. Data shown in these tables are from the intermediate growth projections.

Sources: Bureau of Labor Statistics, *Employment Projections for the 1980's*, Bulletin 2030; *Employment and Unemployment During 1978: An Analysis*, Special Labor Force Report 218; and U.S. Dept. of Labor, Employment, and Training Administration, *Annual Employment and Training Report of the President: 1978*.

As women's participation rate rises at a faster clip . . .

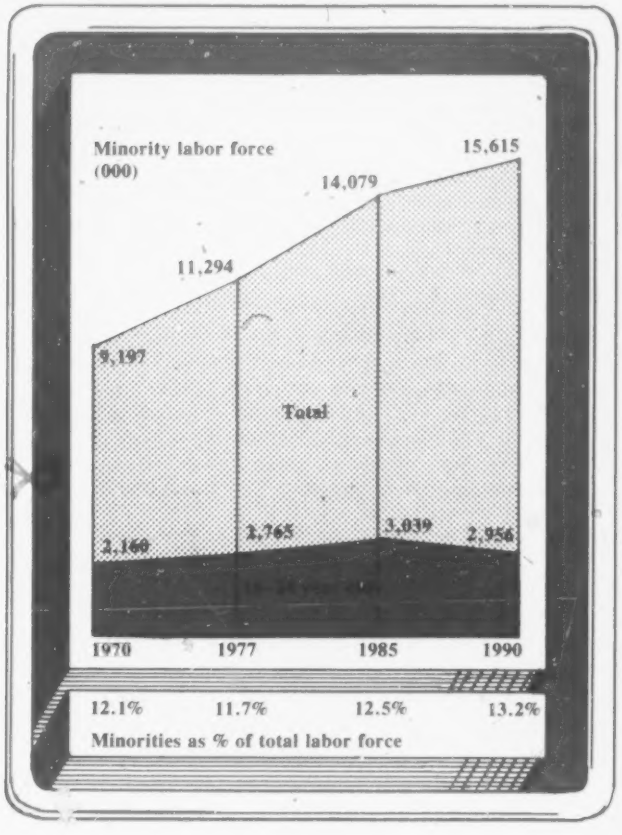


. . . they will account for a larger share of the work force . . .

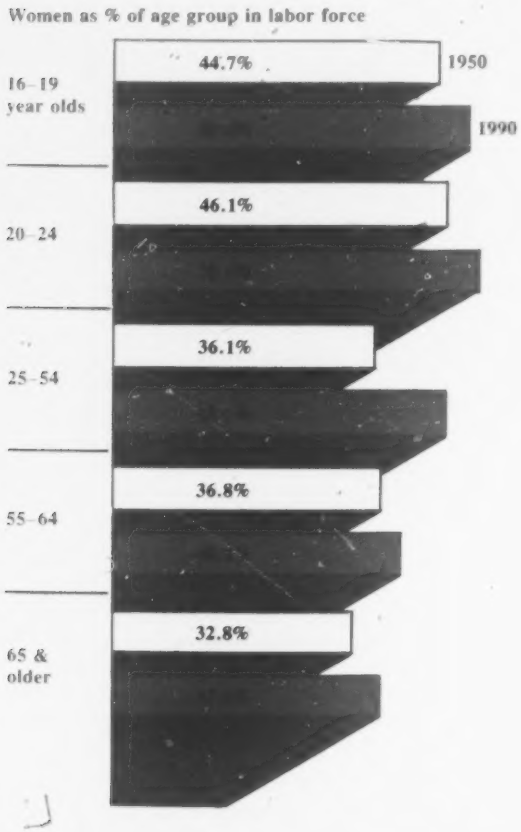
Women will set the pace in the job market

Age Group	1970 (000)	1977 (000)	1985 (000)	1990 (000)	Average Annual Growth Rate 1970–77	1977–85	1985–90
MEN							
Total	51,195	57,449	63,007	65,115	+1.74%	+1.21%	+0.66%
16–24 yrs.	9,715	12,862	12,465	11,156	+4.63	−0.39	−2.10
16–19	4,006	4,985	4,374	4,199	+3.49	−1.54	−0.80
20–24	5,709	7,877	8,091	6,957	+5.43	+0.34	−2.80
25–54	32,193	35,698	41,824	45,845	+1.56	+2.15	+1.92
55–64	7,124	7,043	6,953	6,383	−0.16	−0.16	−1.64
65 & older	2,164	1,845	1,765	1,731	−2.10	−0.54	−0.38
WOMEN							
Total	31,520	39,952	49,945	54,253	+3.83	+3.13	+1.72
16–24 yrs.	8,115	10,823	11,934	11,225	+4.77	+1.29	−1.18
16–19	3,241	4,267	4,192	4,139	+4.53	−0.23	−0.26
20–24	4,874	6,556	7,742	7,086	+4.93	+2.25	−1.70
25–54	18,196	23,692	32,432	37,713	+4.31	+4.61	+3.26
55–64	4,153	4,367	4,536	4,270	+0.74	+0.49	−1.18
65 & older	1,056	1,065	1,044	1,043	+0.13	−0.25	−0.02

Better times ahead for minorities in the job market?



. . . especially among younger groups



agers and incentive program administrators: Computerized call reports will help with tracking.

SALES MANAGEMENT

Consultative selling will intensify, with more field salespeople assigned to industry specializations and team selling. Teams made up of various disciplines (for example, sales, engineering, and design) will work with end users to put together packages of products and services that can best (and most profitably) serve the cutomer's needs.

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Better precall planning via industry and proprietary data banks is inevitable to help salespeople pinpoint customer needs and tailor their presentations to specific customer benefits. Also, expect computer-selected routing for maximum account coverage (this because of the high cost of gasoline, especially).

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Management will increasingly cut away non-productive activities like writing orders and handling inquiries and complaints, freeing salespeople to concentrate on what only they can do: selling new accounts, introducing new products, and selling new applications and broader uses. In other words, increasing the volume of sales.

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The long-term trend of smaller sales staffs per manager will continue. Unpublished data made available to S&MM by the Bureau of Labor Statistics' Division of Occupational Outlook suggests that the typical sales manager in manufacturing companies will oversee 3.72 salespeople by 1985 vs. 4.36 in 1970. However, the number of sales executive slots in such companies will expand three times faster in the first half of the next decade than it did in the 1970s. Based on the government's data, the number of sales managers will swell 3.5% per year in the 1976–85 period vs. only 1.1% in the 1970–76 period.

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Some other trends in sales force management: Managers will better define their selling objectives and sharpen their sales planning to increase the sales force's effectiveness. Also, more attention will be given to searching out lower-cost selling alternatives (example: far-distant customers and those who buy only infrequently or place only small orders will be switched to a telephone salesperson). For many companies, only the most important customers will have the benefit of a sales call from a company salesperson. (Some marketers will make a good living by selling only to small and medium-sized accounts that are of marginal interest to the bigger companies.)

"The continually increasing costs of recruiting, training, and supervising a direct company-employed sales force will lead many firms to sell their products via commissioned manufacturers' representatives. A recent study by Prentice-Hall reveals that a $23,000 salaried company salesman actually costs in excess of $45,000."

Thomas C. Reinhart
President
Albee-Campbell, Inc.

SALES SUPPORT

Consumer and industrial organizations will support their selling activities with more (and better targeted) advertising and direct mail. Samples and self-demonstration kits will often be included to cut down on the need for personal follow-up.

SAMPLING

Free samples have fallen out of favor because of rising distribution costs. Yet marketers who must continually introduce new products or line extensions to keep their brand franchise will need a way to get the increasingly skeptical and money-conscious consumer to try the product. As a result, more of them will turn to the low-priced miniature sizes currently being used by such companies as S.C. Johnson & Son for its Agree shampoo, Chesebrough-Pond's for its Vaseline Intensive Care lotion, and American Safety Razor for its Flicker ladies shaver.

SELLING ABROAD

A Dept. of Trade? Whether or not Congress opts for such a cabinet-level agency, federal support for export sales will soon come to a showdown debate within government circles. The issue is for the Administration either to expand exhibit promotions abroad and adopt bold export-tax incentives or, to continue the Commerce Dept.'s spotty sponsorship

of customer leads and overseas catalogue shows. Pushing the showdown: disillusioned marketing executives who signed on with the Commerce Dept. shows on the promise they'd be allowed to fashion a fresh approach to export sales.

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Smaller companies, especially industrial marketers, will pursue sales opportunities abroad as never before. The lures: (1) a growing demand for U.S. products, especially those that will meet foreign governments' calls for more safety equipment and pollution control devices for local use; (2) mounting production costs that are occurring nearly everywhere overseas; (3) the low value of the U.S. dollar, which creates many "bargains"; (4) the sheer size of overseas markets (U.S. companies sell less than 2% of all the foreign products bought by Communist bloc nations); and (5) the trend by the U.S. government to lend assistance to companies that want to export as well as those that might want to set up factories in other lands.

SMALL BUSINESSES

The upcoming White House Conference on Small Business will leave a wake of special government incentives to small marketers. They'll include more federal contract set-asides and more direct government procurement from local retailers and wholesalers. The White House meeting will also rekindle congressional interest in a value added tax (VAT). As implemented in many European countries, VAT would replace the bulk of the corporate income tax with an approximate 10% levy on goods and services at each level of production and distribution.

SUPERMARKETS

A result of the increase in the number of working wives will be an increase in the number of husbands and teenagers doing supermarket shopping. A study by *Progressive Grocer*, an industry publication, shows that already "more than one-half of the men interviewed do *most* of the marketing for their household." The study suggests that marketers who hope to profit from this new trend would do well to:

- Increase the shelf space allotted to nonfoods that appeal to men such as automotive supplies, hardware, and gardening equipment.
- Stay open later because men are more reluctant than women to shop in crowds.

Companies that supply food or nonfood items to supermarkets will have to reorient print and broadcast advertising to their new target audiences, placing more ads in teen and men's magazines and showing men and teenagers in TV ads for their products. But it's going to be a challenge to create a convincing commercial showing two men comparing different brands of laundry detergent or paper towels.

SYSTEMS SELLING

Once the exclusive province of industrial marketing, systems selling will be applied increasingly to consumer products. Few companies will be able to sustain themselves without positioning their product lines as systems designed to treat all of a customer's needs in a specific area. Look for food and toiletry marketers to follow the lead of health foods in offer-

> **The energy situation will stabilize. People will adjust to conservation. Besides, there's hope for the future: by 1985 there will be new energy sources and the possibility of alternative energies. Conservation methods will also be more advanced.**
>
> Al Bracken
> National sales manager
> Toyota Motor

In the 1980s the business executive will have a desktop computer that will help him solve problems of varying complexity. As a result, there'll be fewer stacks of reports and fewer channels needed to tell if the company is gaining or losing.

Dick Behrman
Director, marketing research
Liggett Group

ing a "menu" of products designed to work together. In the contest to outfit U.S. homes for communications in the 1980s, the decision will go to the purveyor of the best system, which could be a manufacturer that today is known best for a single product such as a telephone or a TV set. Another reason marketers will embrace systems selling: By grouping products into systems, a company can put together a higher-value package that justifies the attention of the sales force—and of the purchasing agent.

TELEPHONE SELLING

Inside sales forces will grow as executives of both manufacturing and wholesaling organizations take advantage of the availability of more sophisticated (and relatively less expensive) forms of electronic communications to cut the costs of prospecting, lead qualification, and closing small-volume or low-margin accounts. To keep the sales effort from becoming too depersonalized, look for companies to reinforce phone calls and computer-to-computer transactions with printed or video newsletters.

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TEST MARKETING

Market tests of new products will become "instant." Widespread use of scanners and P-O-P terminals at check-out counters will give marketers a fast reading on the turnover rate of new products from the first day the item is put on sale. That information will be supplemented by use of interactive TV, coupled to a computer, for the speedy collection and analysis of data on who did and did not buy the product. The other side of the coin: Existing products that don't meet retailer's revenue goals will have very short shelf lives.

TRADE PROMOTIONS

As target markets become increasingly segmented and the importance of regional marketing grows, promotions will also have to be regionalized. Retailers will continue to be offered far more promotions than they can use—the executive vice president of one supermarket chain says his stores have at least 1,000 available at any given time—and so will choose the ones that work best with their own regional objectives.

TRADE SHOWS

Expect to see two opposing forces at work: rising transportation costs will make it more expensive to get people and exhibits to shows, while sales call costs continue to rise faster than the cost of a trade show contact. One solution will be to create more regional trade shows, which enable companies to make important show contacts and still control transportation costs.

TRAINING

Upgraded and increased training will be the norm at all levels of the sales force. The emphasis will be on selling techniques rather than product training. New-product training sessions will dwell on potential end-user benefits rather than product features. New hires will spend less time in the classroom and more time in on-the-job training, where better-trained first-line managers will see that they become productive as soon as possible.

WARRANTIES

The Federal Trade Commission's product-warranty enforcement program will dwindle and disappear, much like Truth in Packaging did in the 1960s. Reasons: Studies will show that consumers seldom read presale warranties on retail countertops (where the FTC is insisting they be posted). Also, the FTC's rules are so harsh that few companies will offer full warranties as Congress had hoped when it passed the Magnuson-Moss Act.

ZIP CODE

Advertising, as well as sales calls, will become far more precise, thanks to the arrival of nine-digit Zip Codes (linked to data to become available from the 1980 Decennial Census for Zip Code areas). Nine-digit classifications will allow consumer products marketers to zero in on geographic areas as never before: for example, they'll be able to exploit the demographics of one side of a city block vs. the other side. Their direct mail and sampling programs will also benefit greatly. Industrial marketers will be able to set up far more productive sales call patterns because nine-digit Zip Codes promise highly detailed profiles of prospects' locations. What could be better than nine-digit classifications? Eleven-digit, obviously.

We are inundated with marketing information. During the next decade the problem will only get worse, which makes separating relevant from irrelevant data a crucial part of the marketing job.

H.D. Putnam
Group vice president, marketing
United Airlines

JAUNDICED EYE

Waxing nostalgic

Gather 'round, children, and I'll tell you about the weird experience I had one day back in the autumn of 1989. Eager to review all the changes that had taken place in consumer and industrial marketing during the next decade, I visited the director of the Wax Museum. There is probably no more accurate reflection of the past than the range of subjects depicted in wax.

"What new figures and items are you going to display next year?" I asked the director, whose eyes resembled crystal balls and whose smile was an exact replica of the Sphinx.

"Step into the back room and judge for yourself," the director said, pointing to a door behind which I could hear the murmur of machinery working in time to piped-in music. There, in various stages of disrepair, were the old figures of Presidents and kings, movie stars, and famous bandits. They had been discarded.

On the far side of the room, ready for the re-opening of the museum on Jan. 1, 1990, were the new displays. It was obvious that as a group they told the story of things that had slipped into the past during the decade of the 1980s.

It was no surprise to me to see the famous statue of the maid doing windows. Right behind her was a salesman carrying two heavy cases of samples of actual merchandise available for immediate delivery. At first it taxed my memory to identify the smiling, attentive figure behind a counter, but the director explained patiently that it was a retail sales clerk.

Over in the corner was a man answering his own telephone; it had no recording device so he was making notes on old-fashioned note paper with a lead pencil. A group of six figures depicted a sales manager meeting in person with his sales force, and upon closer inspection one could see that *all* the salesmen were awake. Then there was the figure of a doctor making a house call to the bedside of a sick child, and a gorgeous reproduction of an automobile with a full-sized spare tire.

Of all the items ready for display, however, the one that brought the most nostalgic tear to my eye was a cup of steaming hot coffee. The price alone identified it as a relic of bygone days. It was marked $1.00.

By Jim Lavenson

The perils of prophesying

Forecasting the future is one of the riskiest of human endeavors. Here are some predictions that were made about the 1970s. Some were on target, many more were not.

Industry will take over many functions considered government's preserve, such as health and social services. *(Nation's Business)*

Corporations will be called upon by government to aid in such things as airport construction, urban rapid-transit, low-income housing, and pollution control. (*Credit & Financial Management*)

By 1975 there will be a need for 14 million more workers than will be available. *(S&MM)*

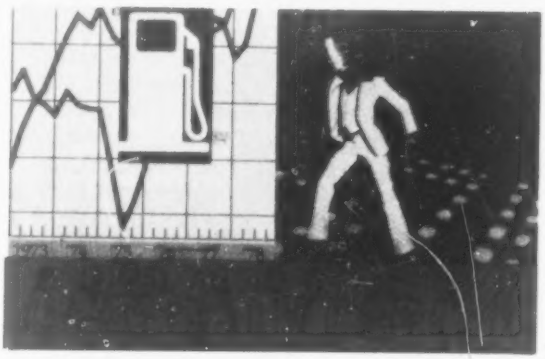
On the way home, the businessman will stop by his doctor's office for a booster shot of anti-cancer vaccine. (*Business Week*)

Two major problems most worrying the advertising business in the 1970s will be somehow to placate management's demand for documentation of results and to accommodate and avoid getting trampled by a massive current of consumerism. *(Advertising Age)*

There will be a shortage of qualified marketing managers because of a drop in the 30–45-year age group. *(S&MM)*

There will be much experimentation in defining the corporate marketing role. *(S&MM)*

There will be a network of large time-sharing computer systems for rapid transfer of information and data. (*Nation's Business*)



It will be the decade of the consumer, who will assert his wants and demands, and it will be the task of marketing executives to know their customers. (*S&MM*)

The marketing executive will be more quantitatively oriented, have a working knowledge of behavorial and humanistic concepts, an aptitude in the social sciences, be internationally minded, and possess an ability to learn—quickly—because of the geometrically expanding body of knowledge. (*S&MM*)

Marketers will learn to deal less with absolute numbers and more with lifestyles and learning. (*S&MM*)

Quantitative methods such as operations research, data processing, statistical analysis, etc., will be put to increasing use by general management and marketing executives in research, planning, and decision-making. (*S&MM*)

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Please address orders for the above articles to the appropriate publisher.

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Economist, P.O. Box 190, 23a St. James's St., London, SW1A 1HF, England

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Training and Development Journal, Box 5307, Madison, Wis. 53705

U.S. News & World Report, 2300 N St., N.W., Washington, D.C. 20037

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S&MM MARKETGRAPH

Latinos write another American success story

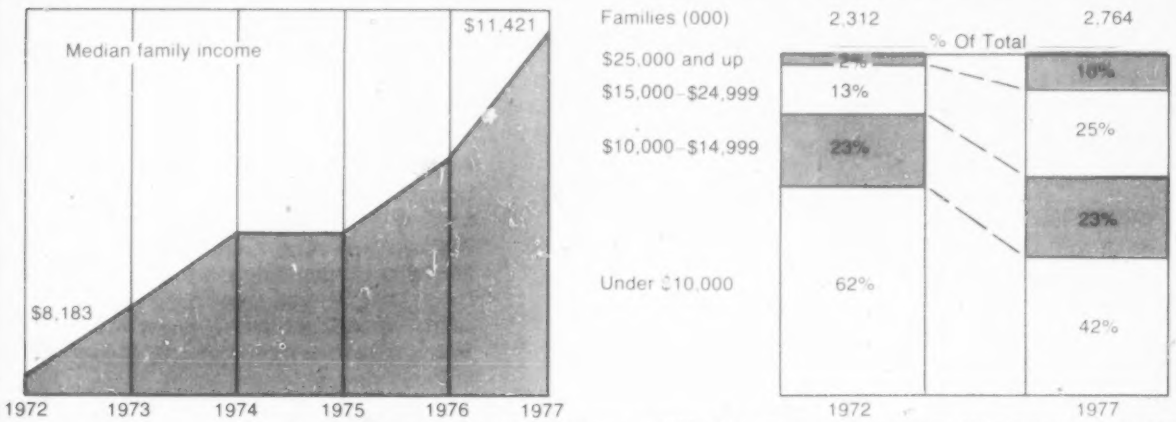
Participants in the latest of the immigration waves that traditionally have fuelled U.S. growth, Latinos are attracting more attention from marketers looking for sales-building opportunities. Despite the barriers posed by language differences and job discrimination, the share of Latino families in the middle- and upper-income brackets ($15,000 and up) has more than doubled since 1972.

Where the prospects are

County/State	Latino Pop. (Thous.) 1/1/80	% Of County's Total Pop.
New York City (5 boroughs)	1,478.8	18%
Los Angeles, Cal.	1,367.0	19
Dade, Fla.	540.0	36
Bexar, Texas	505.8	51
Cook, Ill.	368.1	7
El Paso, Texas	308.8	66
Harris, Texas	269.7	11
San Diego, Cal.	229.1	12
Hidalgo, Texas	221.4	89
Orange, Cal.	219.9	11
10-County Total	**5,508.6**	**18%**
U.S.	**12,561.8**	**6%**

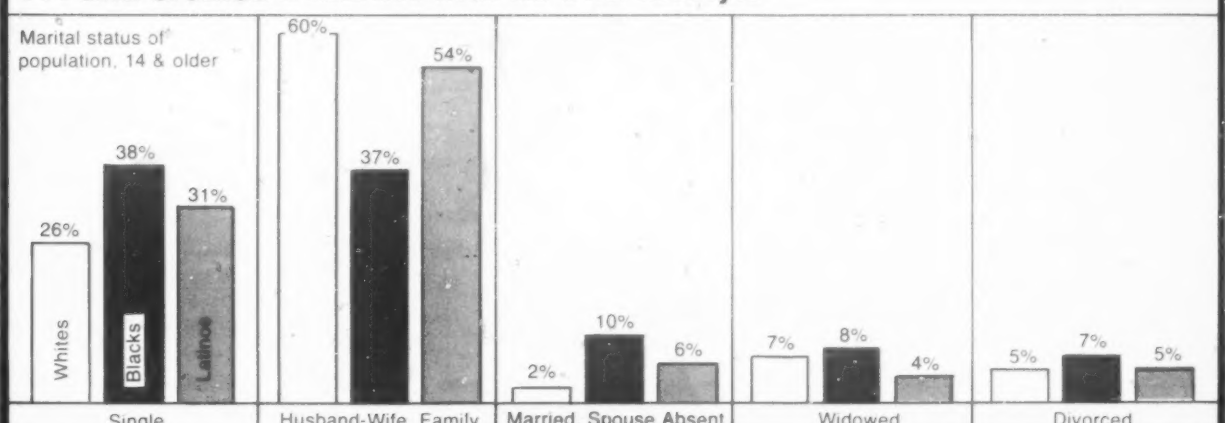
Source: Market Statistics, research division of Bill Communications that prepares *Survey of Buying Power* data.
Sales & Marketing Management.
Note: Reproduction of above county totals strictly prohibited without the permission of Market Statistics.

A 40% upsurge in family income lifts many into the upper brackets . . .



Source: Census Bureau, *Money Income in 1977 of Families and Persons in the U.S.*, Series P-60, No. 118.

. . . and creates a market with its own lifestyle



Note: Data as of March 1978.
Source: Census Bureau: *Marital Status and Living Arrangements*, Series P-20, No. 338.

NOTE

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S&MM

SALES & MARKETING MANAGEMENT

FEBRUARY 4, 1980
A BILL PUBLICATION
TWO DOLLARS

More than just tinsel

As Olympus Camera's new spokeswoman, Cheryl Tiegs goes on sales calls and peps up sales meetings as well as appears in TV commercials (above). Her personal participation in many aspects of the marketing program is typical of the new breed of celebrity-salesperson. The fees are steep, but more and more companies are hitching their fortunes to a star. Page 30.

Inside Out

Selling costs. The ravages of inflation underscore this preview of S&MM's 1980 *Survey of Selling Costs*. Page 12.

Industrial marketing. Data Set Cable shows how a small company can find opportunity where a larger one sees nettles. Page 13.

Media. The 13-30 Group thrives by publishing sponsored magazines that reach as many as 300,000. Page 14.

S&MM Barometer. Marketers of capital equipment can look forward to a better-than-expected first half. Page 15.

Wells Fargo blazes a trail. Sales climb at its Security Guard Div., thanks largely to astute selling. Page 17.

Washington. Federal regulators may stir up more trouble in the 1980s, but it will take them longer to do it. Page 41.

Marketers get a 10% raise. Despite all that talk of corporate austerity, sales and marketing executives almost kept up with inflation last year. Page 43.

Complete Contents, Page 3.

AV makes the difference

DR. GEORGE W. CRANE

Salesmen are the sparkplugs of civilization!

Page 37.

What's coming up

Survey of Selling Costs. With inflation likely to raise the roof on budgets as never before, this year's *Survey* is the most important one yet. S&MM lists those markets where costs are rising the fastest, examines compensation programs likely to yield savings without crimping salespeople's performance, and shows typical costs for meetings and training programs. Feb. 25.

Test marketing. Appearing in this S&MM Special Section is a list of the favorite test markets used by consumer-goods companies—and why. A bonus: case histories.

Milk marketing. Lehigh Valley Cooperative Farmers is using marketing techniques not usually associated with farmers' co-ops (such as positioning milk against soft drinks). The result has been a dramatic turnaround. Apr. 7.

Sales incentives. Motivating the sales force is always a challenge, and today's tough economy makes it even tougher. One highlight of this S&MM Special Section will be results of an exclusive survey on the use of cash, merchandise, and travel incentives. Apr. 7.

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Because S&MM is almost totally staff written, only a very small number of contributed articles can be accepted for publication. For that reason, contributors are urged to submit an initial query along with an outline.

All unsolicited manuscripts must be accompanied by a return envelope with sufficient first-class postage. We regret that those arriving without such postage cannot be returned.

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12 Compensation / **Down with commissions?**
13 Industrial marketing / **A problem becomes a business**
13 Sales presentations / **Knocking down a pyramid**
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Marketers are using more celebrities, especially in sales functions. Would you believe Willie Stargell the sales manager?

37 **Salesmen are the sparkplugs of civilization**
The persuasive people who make society run seldom get the credit they deserve, says motivational expert Dr. George W. Crane.

41 **Letter from Washington**

43 **Marketers get a 10% raise**
Despite all the talk about austerity, compensation of sales and marketing executives almost kept up with inflation last year.

AN S&MM SPECIAL SECTION

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Sales presentations are increasingly built around AV and for one reason especially: buyers sit up and take notice.

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Brewing to sponsor their *Sports Bulletin*, which appears three times a year and has eight regional editions geared to various athletic conferences. Distributed to 750,000 students as a college newspaper insert, the 24-page publication carries eight pages of Miller ads.

MARKETING STRATEGIES

Betting on the future

John D. Quinn faced stiff odds when he became director of the New York State Lottery in April 1976. Although his background included administrative experience and computer training in his 24-year Army career, as well as a stint as Deputy Director of Michigan's lottery, he was taking over an operation that had been suspended a year earlier following persistent charges of mismanagement. Quinn, who had had little marketing experience, promptly dubbed the lottery the Empire Stakes, streamlined its administration, and introduced attention-getting games.

Under his direction, the lottery has parlayed impressive winnings on occasion, but his struggles are far from over. The

N.Y. Lottery director Quinn

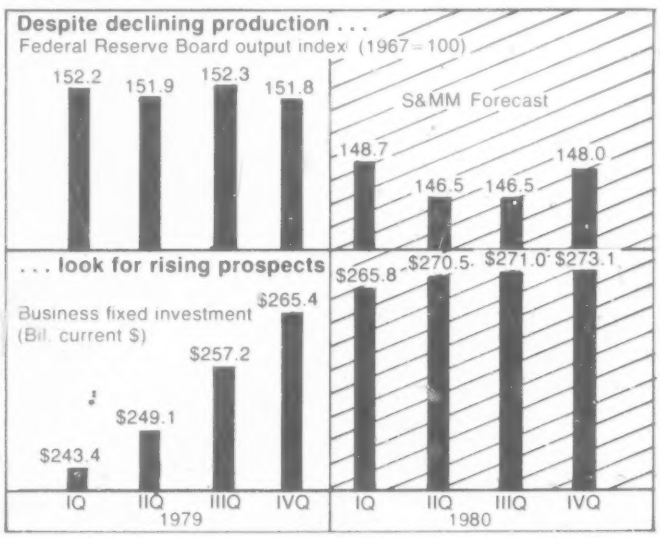
S&MM BAROMETER

A surprise for industrial marketers

Marketers who sell equipment and other products to enable plants to upgrade their facilities will enjoy better-than-hoped-for sales, at least until July. A consensus of the leading econometric consultants, as polled by S&MM last month, shows weakening of industrial output (as measured by the Federal Reserve Board index) through the third quarter, but it now appears that manufacturers will nevertheless increase their spending for structures and equipment.

What explains the unusual state of affairs? Mike Evans, of Evans Economics, believes that it is attributable to the government's lowering of the capital gains tax and its pruning of corporate income tax rates. Both actions were meant to stimulate investment spending—and their effects are just now beginning to be felt. Another theory is offered by Lee Phillips, a senior economist in Data Resources' international forecasting group. He says that with "inventories not out of line and potential capacity bottlenecks shaping up," companies will be tempted to put overdue modernization programs into effect.

Significantly, many are convinced that modernization spending will be even stronger as a result of the Commerce Dept.'s latest survey of capital spending plans.



Sources: Consensus forecast of Chase Econometrics, Data Resources, Evans Economics, Merrill Lynch Economics, U.C.L.A., Univ. of Michigan, and Wharton Econometric Forecasting Associates
Sales & Marketing Management

lottery has contributed over $90 million to New York State each year since 1976 (45% of the revenues go to the state for education, or in the case of the Olympic Lottery, to a fund for winter-sports education programs), and sales in the fiscal year ended Mar. 31, 1979, were $186.8 million, with net profits of $90.3 million. Those sales, however, are a decline from the previous year's $196 million, and the decrease underscores that the 1980s will test Quinn's marketing skills.

The ticket-buying public has always been a fickle lot, demanding new games, and Quinn satisfied that demand in 1976 with an instant game (the player knows immediately if he's a winner), which sold a staggering $18 million worth of tickets in its first week. Another new game, Lotto, has actually attracted slowly increasing participation since it began in November 1978, Quinn says. A daily numbers game would seem to represent a solution to the problem of satisfying the public's taste for novelty (New York is one of 3 state lotteries, out of a total of 14, that do not offer it). Quinn says that he is waiting for "further executive and legislative guidance" but that such a game could be profitably run.

Whatever the future holds, he looks ahead with an attitude designed to fend off critics and entice would-be players. Demonstrating a marketer's gift for product positioning, he says, "I don't look on this kind of thing [the lottery] as gambling. I look on it as recreation."

S&MM PREDICTS

More sales trainers will be made privy to what is in their company's marketing plan. The idea: to enable the trainers to teach the precise tactics that the marketing department expects new as well as veteran salespeople to employ in selling, say, a new product. The change is a response to growing complaints that what trainers teach is too general or sometimes completely out of step.

◆ ◆ ◆

An important coming trend in home buying: the one-stop "real estate center." Such centers, notes Rose Kyllingstad, an executive of the Great 5% Real Estate Cos., Denver, will sell houses, plus mortgages, insurance, relocation services, even home decoration services. Kyllingstad predicts that the centers' major appeal will be their ability to offer lower rates for each element in the total package.

◆ ◆ ◆

Expect a boom in the use by salespeople of home terminals hooked into computerized sales order data back at the home office or district office. All it will take is lower prices for the terminals, as is happening for telephone acoustic couplers. The couplers, such as Texas Instruments', allow a salesperson to find the status of an order right in the customer's own office.

◆ ◆ ◆

A big beneficiary of the rising costs of gasoline (see page 12) will be the airlines, as people leave their cars at home and go by air. USAir (formerly Allegheny Airlines) chairman Edwin Colodny predicts that the switch to air travel will help boost his company's revenues to $1 billion by 1982.

RETAIL STORE SALES

Comparing S&MM's Survey with the Census

Marketers relying on Sales & Marketing Management's annual *Survey of Buying Power* for estimates of retail store sales will be comforted by the just-released U.S. summary tables from the government's 1977 *Census of Retail Trade*. S&MM's *Survey*, of course, uses the Census Bureau's count as a benchmark for updating its own estimates each year. The more time elapsed from a benchmark period, however, the greater the possibilities for going off track.

A comparison between the Census Bureau totals and S&MM's 1977 estimates shows that the *Survey* generally was right on the money (see the accompanying table). The *Survey*'s estimate of total U.S. retail sales is extremely close to the Census total: just 0.1% higher. Actually, the *Survey* was dead on target because its estimates include sales taxes and carrying charges, whereas the 1977 Census omits them.

S&MM was also remarkably close to the Census totals for the three biggest retailing regions. Compared to Census data, the *Survey* showed no perceptible difference in the Great Lakes region, and was off only 1% in the Southeast and 1.6% in the Mideast.

The greatest spread between *Survey* and Census data occurred in the Rocky Mountain area, where the smaller states chalked up growth rates far faster than had been expected. Even here, the *Survey* did well in tracking the principal states of Colorado and Utah.

Dramatic regional contrasts appear when store counts are considered, an important factor in planning distribution strategy. Overall, the total number of retail store establishments slipped by 57,803 between the 1972 and 1977 censuses. This was mostly a statistical fluke because the bureau eliminated direct-selling establishments (which numbered 141,294 in the 1972 census) from the 1977 count.

Although this contributed to the significant reductions that took place in the Northeast and the Midwest, most Southern and Western states still showed an increase in the number of retail outlets. (For another aspect of the *Census of Retail Trade*, see the Editor's Call Report, page 6.)

U.S. summary of the 1977 retail trade census

Region / State	1977 Retail Sales ($000)	% Gain 1972-77	SBP vs Census[1]	1977 Number Of Stores	Numerical Change 1972-77
New England	**$ 40,375,271**	**+ 44.7%**	**0.0%**	**107,239**	**- 3,561**
Conn.	10,428,005	44.5	- 2.0	26,454	- 1,320
Me.	3,615,742	61.9	- 6.8	11,244	+ 352
Mass.	18,474,302	38.9	+ 4.1	46,745	- 3,119
N.H.	3,387,452	66.2	-12.1	8,922	+ 663
R.I.	2,802,147	38.8	+ 5.2	8,138	- 653
Vt.	1,667,623	51.2	- 2.8	5,736	+ 516
Mideast	**$130,828,809**	**+ 39.3%**	**+ 1.6%**	**337,979**	**-32,509**
Del.	2,138,502	44.5	- 2.5	4,935	- 410
D.C.	2,084,664	16.0	+ 3.1	4,213	- 419
Md.	14,377,108	51.7	- 6.3	28,344	- 2,981
N.J.	24,286,554	44.3	+ 0.9	59,566	+ 1,100
N.Y.	50,697,785	29.4	+ 2.2	142,202	-15,950
Pa.	37,244,196	47.9	+ 4.4	98,719	-13,849
Great Lakes	**$139,884,322**	**+ 55.1%**	**0.0%**	**320,913**	**-27,235**
Ill.	39,215,003	51.3	+ 2.9	84,988	- 8,971
Ind.	18,263,301	59.3	+ 2.6	42,643	- 2,046
Mich.	31,312,356	54.7	- 8.6	67,059	- 4,736
Ohio	35,563,455	55.4	+ 1.4	82,404	- 8,180
Wis.	14,930,207	60.7	+ 4.0	42,819	- 3,302
Plains	**$ 56,594,697**	**+ 61.5%**	**+ 1.2%**	**158,497**	**-13,033**
Iowa	9,832,778	67.3	- 4.4	28,737	- 2,549
Kan.	7,696,381	61.5	+ 6.0	23,387	- 2,482
Minn.	13,566,601	59.0	+ 0.4	33,602	- 2,574
Mo.	15,920,087	55.0	+ 4.2	43,219	- 2,882
Neb.	5,145,305	61.1	+ 4.5	15,249	- 1,669
N.D.	2,249,761	76.5	- 5.2	6,681	- 267
S.D.	2,183,784	66.0	- 8.9	7,622	- 610
Southeast	**$154,623,243**	**+ 62.1%**	**- 1.0%**	**432,013**	**- 5,864**
Ala.	10,704,902	62.6	+ 5.6	31,582	- 819
Ark.	6,383,258	63.2	+ 1.2	21,779	- 339
Fla.	31,413,088	61.6	+11.5	82,251	+ 6,121
Ga.	15,915,816	52.9	- 0.7	44,605	- 1,244
Ky.	10,491,662	70.3	- 3.1	30,104	+ 436
La.	12,417,144	72.1	- 6.2	32,049	- 587
Miss.	6,184,395	56.1	+ 7.8	21,469	- 796
N.C.	16,842,308	58.1	- 3.5	50,619	+ 1,066
S.C.	8,350,289	61.4	- 4.7	26,897	+ 547
Tenn.	13,709,641	61.9	+ 4.0	38,530	+ 213
Va.	16,534,567	64.9	+ 6.6	37,216	+ 2,004
W.Va.	5,676,173	71.7	- 8.9	14,912	- 738
Southwest	**$ 67,236,175**	**+ 75.0%**	**+ 1.7%**	**180,326**	**+ 1,607**
Ariz.	8,169,933	71.5	- 20.9	20,008	+ 1,560
N.M.	4,021,781	74.8	- 8.8	11,604	+ 362
Okla.	9,228,116	67.0	+ 0.4	28,119	+ 1,226
Texas	45,816,345	77.4	+ 3.3	120,595	+ 2,303
Rocky Mountain	**$ 21,488,658**	**+ 74.3%**	**- 7.0%**	**58,013**	**+ 1,706**
Colo.	9,824,594	67.4	- 3.4	25,675	+ 1,340
Idaho	3,016,361	81.7	- 10.8	8,846	+ 112
Mont.	2,847,520	76.4	- 15.9	8,860	+ 56
Utah	4,146,168	75.2	- 1.7	9,920	+ 47
Wyo.	1,654,015	102.7	- 19.0	4,692	+ 151
Far West	**$112,103,046**	**+ 70.3%**	**- 2.6%**	**260,088**	**+ 12,572**
Alaska	1,830,638	137.3	+ 1.6	3,781	+ 809
Cal.	81,057,855	65.8	+ 0.2	187,904	+ 9,664
Hawaii	3,294,118	76.6	- 7.0	7,388	+ 996
Nev.	3,069,165	91.9	- 16.6	6,355	+ 649
Ore.	9,347,998	80.1	- 17.7	22,788	+ 193
Wash.	13,503,242	80.2	- 5.8	31,872	+ 261
U.S.	**$723,134,221**	**+ 57.5%**	**+ 0.1%**	**1,855,068**	**- 57,803**

[1] 1978 *Survey of Buying Power's* estimate of retail store sales for the year 1977 as compared with the total reported in the 1977 *Census of Retail Trade*.

Notes: Sales taxes, other taxes, and carrying charges for credit are not included in the 1977 Census sales totals but are included in the *Survey of Buying Power's* retail sales estimates.

Sources: Census Bureau, 1977 *Census of Retail Trade, U.S. Summary*, RC77-A-52; S&MM calculations. *Sales & Marketing Management*.

BUILDING A SALES FORCE

Wells Fargo blazes a trail

For many security guard companies, business consists of servicing accounts and maintaining sufficient personnel. Most companies don't even have sales forces. Wells Fargo's

Despite talk of austerity, sales and marketing executives almost kept up with inflation last year. Counting bonuses, they even may have come out slightly ahead.

MARKETERS GET A 10% RAISE

By JOHN A. FISCHER
Vice president
Sibson & Co.

Plans in early 1979 to scale back budgets for management pay increases did not materialize at many companies. Although companies gave smaller increases to those executives receiving pay boosts, the proportion of top managers winning such awards rose sharply, 91% in 1979 vs. 71% in 1978.

Strong business results, coupled with the flexibility of federal wage guidelines, helped push pay increases for sales and marketing executives upward at a faster rate in 1979 than the previous year. And it looks as if more of the same is in store for 1980 because many companies are budgeting even larger salary increases than last year.

An average increase of 9.9% in salary-only levels in 1979 characterized the 13 sales and marketing positions included in Sibson & Co.'s annual management compensation survey (Table 1). This compared with an 8.4% gain the previous year.

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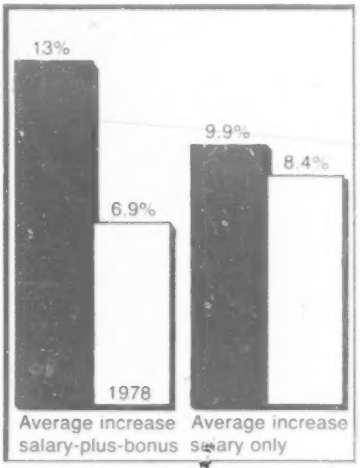
For companies that pay bonuses, the 1979 gain in total compensation was a strong 13%, almost double what it was in 1978. This was a reflection of tying incentive plans to extremely good business performance achieved in 1978. The normal practice is to record bonus payments in the following year.

Overall, the 9.9% salary-only gain by sales and marketing executives was on a par with the average increase experienced by the 65 top management positions at the 725 companies (representing 30 industries) that are included in the Sibson survey. However, the 13% salary-plus-bonus increase earned by sales and marketing managers trailed the comparable 14.8% average for all 65 top management slots.

Table 1.
The impact of bonuses



Source: Sibson & Co., *1979 Annual Management Compensation Survey*

Regardless of company size, the individuals at the top of the sales and marketing hierarchy consistently receive the most compensation dollars (Table 2). In companies that combine the two positions into one post, the top sales and marketing executive is well out in front, followed, in turn, by the top divisional marketing, top marketing, and top sales executives. Trailing these executives are the product or brand sales manager and the sales promotion head. As would be expected, the money gap between the top sales and marketing post and the next three ranking positions widens as company size increases.

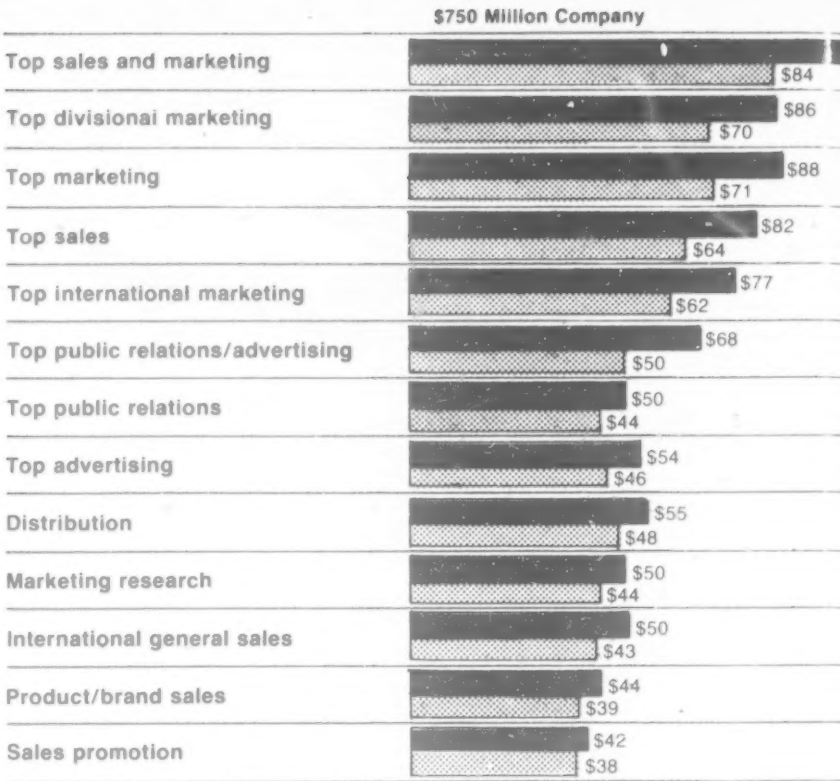
Although the federal wage stabilization program had little impact on the rise in management pay levels, it appears to have made some companies postpone introducing new management compensation programs during 1979. The proportion of companies having incentive plans for managers was the same in 1979 as the year before. This contrasts with the steady increases in prior years of the number of companies adopting management

Table 2.

How sales and marketing compensation changes by company size.

(Figures in thousands of dollars)

Salary-plus-bonus
Salary
N.A.—Not available



Source: 1979 Sibson & Co. 1979 *Annual Management Compensation Survey*

incentive programs. Adopting a new executive compensation plan may be harder to explain to lower-level employees and stockholders than granting pay increases that are averaged in with those for professional, lower level, and supervisory employees.

The flexibility of the federal wage guidelines allowed increases for some groups of employees to top the general pay standard. One out of five companies surveyed indicated they had applied to the Council on Wage and Price Stability for formal exceptions to the voluntary guidelines. Of these, 47% were approved, 4% denied, and 49% are pending.

Interesting contrasts emerge when salary increases are compared to salary-plus-bonus gains. In the salary-only group, the largest salary boost (12.3%) occurred at companies that combine the top sales and marketing posts into one position (Table 3). The top sales executive was close behind, with an 11.8% gain, but the top marketing chief was well down the list, ranking ninth with a 9.0% increment.

In contrast, the top marketing slot led the field with the largest increase in total compensation, salary-plus-bonus, with a hefty 15.5% gain. The top sales executive again placed second with a 14.4% increase, and the top sales and marketing executive placed fifth with a 13.7% rise.

While certain "perks" are losing favor because of tax-law changes, other kinds of benefits figure more importantly in compensation plans as companies use them to attract and retain managerial talent. Because of inflation and economic uncertainty, executives have shown a growing concern for supplemental retirement programs. While virtually all companies surveyed have a defined retirement system, 3 in 10 now provide some form of supplemental retirement income plan.

As compensation levels escalate, executives are showing more interest in supplemental life insurance policies. The predominant plan is supplemental group term insurance although a variety of other supplemental life insurance programs are being adopted for executives.

The Sibson survey shows, not surprisingly, that the higher a person is in the organization, the more prevalent are the perquisites. Here's a rundown on the more common ones:

- Company-paid physicals are provided by more than three out of four companies.
- Company cars by more than two out of three companies.
- Luncheon/dinner club and country club dues by two in five companies.
- First-class air travel by one out of three companies.

Sibson's latest surveys indicate that, despite confusion over uncertain economic conditions and the restructuring of federal wage guidelines, 1980 salary levels will most likely climb at a pace reminiscent of preguideline years. Last year's 12% salary increase for top sales and marketing executives was the second best in the 1974–79 period, topped only by 1976's 13% boost (Table 4). How close 1980 comes to that peak will be one of the interesting things to watch for when the returns come in a year from now.

$250 Million Company	$100 Million Dollar Company	$50 Million Dollar Company
$70	$77 / $61	$68 / $54
$72 / $58	$61 / $50	$54 / $44
$68 / $58	$56 / $48	$48 / $42
$66 / $54	$55 / $46	$49 / $42
$64 / $52	$58 / $47	$54 / $44
$48 / $40	$40 / $35	$35 / $32
$46 / $33	$38 / $35	$36 / $33
$46 / $40	$36 / $33	N.A. / $26
$45 / $39	$38 / $33	$34 / $30
$44 / $37	$38 / $33	$34 / $30
$46 / $40	$43 / $37	$41 / $35
$40 / $37	$37 / $32	N.A. / N.A.
$38 / $35	$38 / $34	$32 / $30

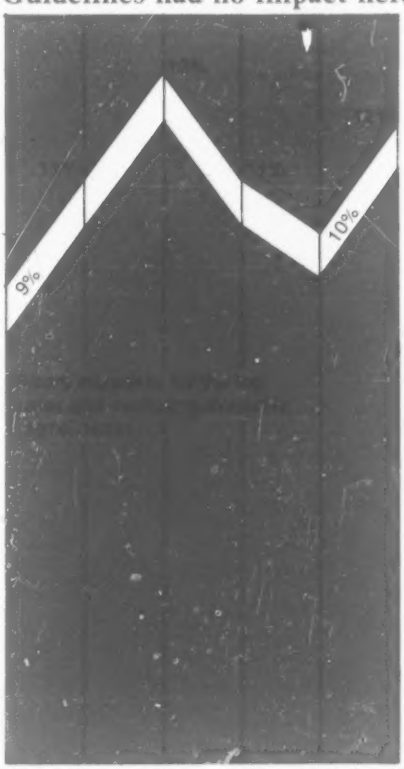
Table 3.

1979 pay increases for 13 sales and marketing positions

Top sales and marketing	13.7% / 12.3%
Top divisional marketing	13.4% / 11.1%
Top marketing	15.5% / 9.0%
Top sales	14.4% / 11.8%
Top international marketing	12.4% / 11.0%
Top public relations/advertising	14.3% / 7.3%
Top public relations	13.2% / 9.6%
Top advertising	10.2% / 8.4%
Distribution	14.1% / 10.3%
Marketing research	$11.2 / 8.4%
International general sales	13.3% / 8.9%
Product/brand sales	10.9% / 10.8%
Sales promotion	11.9% / 9.2%

Table 4.

Guidelines had no impact here



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